FINANCIALTIMES

World News

indres h

Bush wants Mideast talks access for to resume in Washington

The US administration is expected to propose today that the next phase of direct talks between Israel and its Arab neighbours be held in Washington, probably within the

next two weeks. Page 16
Israel's opposition Labour
party adopted a political platform which recognises the national rights of the Palestinian people. Page 4

A Yugoslav photographer who reported that 41 children had reported that 41 children had been massacred near Vukovar, allegedly by Croatian troops, retracted key elements of his story, admitting he had not seen or counted any bodies. Reuters, which issued the story on Wednesday, withdrew it on the grounds that it con-tained incorrect information.

Freed hostage iff Doctors told freed US hostage Thomas Sutherland he must stay in hospital in Wiesbaden postponing his return to the US because of a stomach ulcer.

Magistrates to strike Italy's 7,000 magistrates are to stage a one-day strike to protest at what they regard as unwarranted interference by President Francesco Coss-

Indian official held A Indian government official was arrested for allegedly colluding with a Sri Lankan rebel militia suspected of being behind the assassination of

former premier Rajiv Gandhi. Refugees drowned Sixteen neonle were drowned and another 119 are missing. feared dead, after a boat carry-ing about 200 Haitlan refugees

was wrecked off Cuba. US to pay Iran The US and Iran will shortly

reach agreement on a payment of \$275m to Tehran relating to undelivered US-made weapons ordered by the Shah of Iran. Page 4

indonesia rebuked The European Parliament urged the EC and UN to ban arms sales to Indonesia. It

Hawke in demanding an

inquiry into the shooting of

mourners in East Timor. Romanian quarantees Romania's parliament adopted a new constitution 23 months after communist rule was overthrown, guaranteeing pluralism, human rights and a free

market. Page 3 Vietnam frees writer France welcomed the release of Duong Thu Huong, one of Vietnam's most prominent writers, and said it would

Mogadishu battle Heavy fighting between two factions of the United Somali Congress raged in the Somali capital of Mogadishu. The Red Cross said hundreds of

wounded people were lying outside overflowing hospitals. Stamp sets record A dull 1904 stamp with a smudgy postmark fetched a record £33,000 (\$59,300) for a 20th century British stamp at Sotheby's, London.

Business Summary US improves foreign airlines

US aviation authorities significantly improved the access of foreign airlines to secondary cities in the US by lifting restrictions on a two-year old "Cities Programme". The move comes in response

to petitions from more than two dozen domestic US airports which have been seeking international services. Page 16 MCDONNELL Douglas, finan-cially stretched US aerospace group, which this week reached a preliminary agree-ment to sell 40 per cent of its commercial aircraft operations

to Taiwan Aerospace for \$2bn, said it was still talking to seven other Asian companies about joining the deal and thinks at least one may take a 9.9 per cent stake in the busi-ness. Page 17; McDonnell Douglas, Page 18

SAINT Louis, French sugar and paper group, made a paper offer worth FFr4.3bn (\$760m) to buy out the rest of Arjomari-Prioux, paper company in which it holds a controlling 41.42 per cent stake. Page 17

GENERAL Electric of the US is determined to repair its damaged relations with Rolls-Royce, UK aircraft engine manufacturer. Page 16; GR near accord, Page 7

JAPAN has been urged by for-eign business leaders to move faster in removing barriers to imports and inward investment. Page 7

US unemployment: An unexpectedly sharp rise in the num-ber of workers seeking unemployment insurance raised fresh doubts about the health of the US recovery. Page 6

INTERNATIONAL Business Machines, US computer group, is negotiating to take a minority stake in the computer aided design manufacturing and engineering division of Das-sault, French aircraft group.

SUZUKI Motor, Japanese car and motorcycle maker, posted a 3.2 per cent rise in interim pre-tax profits to Y10,56bn (\$81m) – the result of a sharp decline in operating profits being offset by non-operating profits. Page 19

BANQUE Bruxelles Lambert Belgium's second largest bank, announced a 35 per cent rise in annual net profits to BFrs4.5bn, and plans to step

up the dividend. Page 17 AEG, German electricals com-pany owned by Daimler-Benz, is to regain control, after 46 years, of the heavily loss-mak-ing east German railway pro-

ducer Lokomotivbau-Elektro-technischen Werke (LEW). JAPAN'S leading trading companies announced disappointing non-consolidated interim results to September, Sales

were affected by the slowing economy. Page 19 WESTPAC Banking Corporation, leading Australian bank blamed recession and bad debts for a fall in profitability. Australian banks subdued,

Page 19 SANDVIK, Swedish speciality steel and carbide group, reports a 30 per cent drop in nine-month profits (after financial items) to SKr1.49bn

(\$254,7m). Page 18

We<u>ek</u>end

Tomorrow: A ticket to ruin — the rise and collapse of a giant of the air

All change: politics on the Moscow metro



CONTENTS Soviet gold: The veil of secrecy has lifted, but Testing times ahead for the are the authorities cooking the books?14 Belgian prime minister Japanese banks: Difficult times ahead as results loom Trade: Egypt struggles following changes in its eastern European and Soviet markets ... Editorial Comments Gatt, European telecommunications Technology: Choosing a baby's sex prompts

World commercial vehicles: Changing fortunes of the truck-makers Survey, Section III Water industry: A poor public image causes

CONCERN	Survey, Sect
International	Arts Guide + Reviews Commodities



that Mr Wilfried Martens was still the mos popular choice for Beljian prime minister. If the king agrees, Mr Martens will try to assemble his 10th coalition. Holding It logether could test even his legendary talent for conclination.

-World .

GOLD New York Comex Dec \$ 388.6 (384.7) \$365.55 (363.05) N SEA OIL (Argus) Brent 15-day Jan \$20.775 (20.675) Chief price changes

MARKETS

New York lunchtime: \$1.7975

\$1.7975 (1.796) DM2.8675 (2.8775)

FFr9.80 (9.8375) SFr2.5475 (2.555)

Y232.75 (233.0) £ index 91.2 (same)

STERLING

SFr1.41745 London: DM1.5955 (1.6025) FFr5.4525 (5.4775) SFr1.4175 (1.4225) \$ index 62.8 (62.9) Tokyo close: 129.55 US lunchtime rates Fed Funds: 415 % 3-mo Treasury Bills:

New York Jun DM1.595

4.524% Long Bond: 100 7 yield: 7.956% FT-SE 100: 2.463.5 (-9.1) FT-A All-Shar 1,190.69 (-0.3%) FT-SE Eurotrack 1.071.97 (-4.03) New York lunc 2,921.06 (-8.95) S&P Comp 377.75 (-0.78) Tokyo: Nikkei

STOCK INDICES

23,177.84 (-22.02) LONDON MONEY 3-month Interbank; 102% (102%) Liffe long gilt future: Dec 9472 (9516)

Belgrade plans to resettle Serbs in occupied Croatia

By Laura Sliber in Belgrade

SERBIA plans to resettle Serb refugees in villages abandoned by Croats who have fled the fighting and civil war in the breakaway republic of Croatia.

The plan, which refutes Ser-bian denials that the republic, led by Mr Slobodan Milosevic, intends to carve a greater Serbia out of Croatia, involves moving thousands of people, mostly Serbs, to those areas in Croatia which have already been seized by the Serb-domi-

Mr Mile Jankovic, the programme organiser, said in an interview yesterday the reset-tlement programme amounted to a "test case" which could be applied elsewhere in Yugo-slavia.

"This may be a solution because it is obvious that we [Serbs and Croats] cannot live together, and a demarcation line is necessary."

The programme, which was drawn up at a recent meeting of the self-proclaimed Serbian

National Council, which represents ethnic Serbs from the eastern Croatian regions of Slavonia and Baranja, has already

gees have already applied for temporary resettlement. There are 3,000 empty houses in Bar-anja." More than 300,000 people are already estimated to have been displaced by the war.

The council had agreed to "temporarily confiscate all abandoned property for the

being looted. He accused the Croatian gov-

ernment of not taking similar Mr Jankovic said "6,000 refumeasures to protect abandoned Serb villages in other parts of the republic.

According to Borba, a Belgrade daily newspaper, the new settlers have been promised the right to farm the land and look after livestock abandoned during the fighting. A Serbs in Slavonia and Baranja of Croatia.

croatian property, and then sealed the houses shut. Those refugees who have opted to be transferred to Baranja have been told this is a temporary solution."

But an article published recently in a new Serbian gov-

resettlement of refugees". Mr Jankovic said this was to prevent abandoned homes from Mr Jankovic denied local aniexation by Serbia of parts

that the redrawing of Serbia's border with Crostia was aimed at protecting Serbs in Croatia.
"It would be just to attach a
sizeable part of east Slavonia
Continued on Page 16

Ancient hatreds, Page 2

G7 agrees debt deal with Soviet republics

By Our Foreign Staff

THE world's leading industrial nations yesterday agreed a three-point package to help the Soviet Union and some repub-lics overcome difficulties repaying foreign debt.

In a joint communique, the Group of Seven (G7) countries and republican leaders agreed to defer repayments on Soviet foreign debt of about \$70bn worth \$3.6bn - and maintain support for short-term credit lines by western export credit

The communique also held out the prospect of emergency financing of up to \$1bn but this ran into resistance from the republics over a proposal to use gold as collateral.

The agreement is intended to maintain the creditworthiness of the Soviet Union and its republics. West German banks, the biggest private sector landers, responded coolly to the accord when it became apparent that banks were being called on to accept payment

The statement came after four days of talks between the senior finance ministry offi-cials of the G7 and top-level representatives of the republics and the Soviet centre.Both sides said they were satisfied

Mr David Mulford, US Treasury under-secretary for inter-national affairs, and the senior US delegate at the talks, said:

"We have made some extremely important progress at these meetings."

Mr Ivan Silayev, the Soviet prime minister, told a news conference: "We agreed that apart from deferral of this \$3.6bn we badly need another \$1bn to enable the economy to

function normally."
But, he added: "We [the central and republican authorities; couldn't agree to a gold swap for physical and political motives. It is a very painful cuestion for our society." question for our society."

The document was agreed by eight of the 12 republics - the Russian Federation, Byelorussia, Kazakhstan, Armenia, Mol-dova, Kyrgyzstan, Tajikistan and Turkmenistan - and Union authorities.

The G7 deputy finance ministers signed on behalf of the US, Japan, Germany, France, Britain, Italy and Canada.

The Joint communique said the Soviet parties had asked for "additional emergency external assistance, going beyond food aid and other programmes under consideration

or already in place". The G7 offered: deferral of principal repayments until the end of next year on medium and long-term official external debts contracted before January 1, 1991. Continued on Page 16
Agreement details, Page 2 Energy treaty, Page 2



Russian president Boris Yeltsin, in Bonn yesterday at the start of a three-day visit to Germany, makes a point in reply to a welcome by Chancellor Helmut Kohl The leaders agreed a policy of close co-operation. Report, Page 2

US and EC in farm talks crisis

By William Dullforce in Geneva and David Gardner in Brussels

THE EUROPEAN Community and the US have failed to resolve their differences over farm subsidies, plunging the Uruguay Round trade talks

once again into crisis.

After only one day of discussion in Geneva with US farm under-secretary Mr Richard Crowder, Mr Guy Legras, EC director general factors. director-general for agricul-ture, returned yesterday to Brussels. EC officials later claimed no progress had been made on any of the main points of contention concerning reform of world farm trade. Mr Crowder is due to return to the US today. Both sides refused to talk of a breakdown but a IIS official said "there is still a cloud over the farm talks

In an attempt to resume con-

and over the Round".

trol of the situation, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), yesterday presented negotiators from eight leading farm-exporting countries with "draft working papers" intended to serve as a blueprint for the negotiation.

Mr Dunkel's papers set out commitments governments would be expected to make to reduce subsidies in three areas reduce subsidies in three areas - export competition, domes-tic supports and border protection. They pinpoint the remain-ing stumbling blocks but leave open items such as the size of the reductions and the base

should be calculated.
Brussels and Washington sent their top farm negotiators to Geneva on Tuesday to fill in

trol of the situation, Mr Arthur the details of the accord on farm reform, which seemed to be within their grasp after US President George Bush had scaled down US ambitions at the EC-US summit meeting in The Hague on November 9.
The two big trading powers

agreed to negotiate a deal that would reduce subsidies by 35 per cent and other farm supports by 30 per cent over five or six years. An EC-US deal on agriculture is the catalyst for which negotiators from more than 100 countries are waiting to complete new international trade agreements in the Uruguay Round. EC officials claimed the US year from which the cuts

had had second thoughts over the deal outlined in The Hague, while US officials com-plained that the EC had hardly

moved from its "pre-Hague" positions. After President Bush's concession at The Hague there was resistance in Congress to making "unwise concessions" to the EC. In Brussels Mr Ray Mac-Sharry, EC farm commissioner,

said the Twelve were "at the limits of what we can offer. There are political realities out there which we have to take into account." accept that the Uruguay Round

was on the verge of final col-lapse. Mr Dunkel's initiative was seen as buying time, to to their senses".

US stays calm over stalled talks, Page 7; Editorial com-ment, Page 14

Dutch leader says treaty on Emu is not binding

By David Marsh and Ronald van de Krol in the Hague

DUTCH government leaders in London today are due to spell out that the planned European Community treaty on monetary union will not irrevocably bind any country to the goal of

a single currency.

In the face of German and
French objections, the Dutch
presidency of the EC is intent on maintaining a generalised "opt-out" clause for passage to the third and final stage of Emu, which could take place towards the end of the 1990s. A senior Dutch official said

the draft treaty on Emu, put forward last month, pre-sup-poses "a moment of political reflection" in 1996-97 for all EC governments - not just Britain -about the desirability of moving to full monetary union. He said: "The idea behind the text is that governments can say, well. OK, you are of the opinion that we can take part in the third stage but our

national parliament says we

are not yet able to do so'. This question is for all of us. There

is no difference between the

Germans, the Dutch, the Belgians and the Danes. It is up to each individually to make up their minds." This position seems likely to be made clear when Mr Ruud Lubbers, the Dutch prime minister, visits London today for talks with Mr John Major, his British counterpart.
This is the latest of Mr Lubbers' missions to Commu-nity capitals ahead of the Maastricht summit on December 9 and 10. Mr Lubbers will be accompanied by Mr Wim

Kok, finance minister and deputy prime minister.
The Netherlands hopes the non-binding nature of the treaty on monetary union to be agreed in the Maastricht sum-mit in December will be balanced by the planned "declaration" stating EC members' "strong preference" to move quickly to stage three - to be signed by all except Britain. "For us, it is an absolute necessity that this single cur-

rency - the final stage of Emu - will not disappear beyond

the horizon," the official said. vring on the opt-out clause which the Dutch prefer to call "the non-coercion clause" has been motivated above all by desire to avoid a British veto of the monetary treaty. The complexity of the wran gling has also been increased by other countries' fears that Germany may eventually wish to use the opt-out clause itself.
To allay these worries, Germany has emerged as the strongest opponent of the other country apart from Britain. Supported by the French, Bonn argues that the generalised exemption would significantly lower the impor-tance of next month's planned treaty accord.

Only as recently as last week, Chancellor Helmut Kohl told visiting Belgian deputies that Germany would not sign the treaty if the exemption ciause were made general

Major wins backing, Page 16

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maybe it's tame you disposeed

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Russian and German leaders confront sensitive problems of power, status and sovereignty

Yeltsin and Kohl tread diplomatic tightrope

CHANCELLOR Helmut Kohl of Germany went as far as he could yesterday to acknowledge the new status and importance of Russia without recognising it as a sovereign state.

Looking grim and unhappy alongside Mr Boris Yeltsin, the Russian president, he did everything he could not to abandon his old friend and ally, Mr Mikhail Gorbachev. president of the crumbling Soviet state.

He issued a joint declaration with Mr Yeltsin committing both sides to the closest future co-operation in international relations and economic affairs. The two sides declared that

financial assistance, according to Mr Theo Waigel, the Ger-man finance minister, the key point for Germany was agreement that Russia would participate actively and directly in working out a legally binding structure to service the exter-nal debts of the Soviet Union.

they had no territorial claims on each other, and would not raise any in the future - a solid reassurance to Russia over any possible German claim to what used to be Konigsberg, now Kaliningrad.
Although there was no discussion of additional credits or

However, signs and body language said much more when the leaders of the two countries set to emerge as the twin poles of central and east-

Kohl wore a green jacket and grey socks, immediately seen by the German press as a sign that it was no proper state visit
- in spite of the honour guard

at the door. He looked absolutely miserable as he read out a speech of welcome to his Russian visitor. hero of the abortive August putsch in Moscow, indeed the saviour of Mr Gorbachev himself. "We greet in you the man who acted at an historic moment in August," he said, and left it at that.

They had had "an extraordi-

narily intensive exchange of views" and had now signed a "joint declaration" (put in inverted commas in the text of his speech, to emphasise its There was little doubt on the

German side that the sudden announcement of the return of Mr Eduard Shevardnadze as Soviet foreign minister had taken some of the gloss of Mr Yeltsin's first major exercise in building Russian, not Soviet, international relations.

As for Mr Yeltsin, he expressed satisfaction with his reception, but then insisted repeatedly that both states must now work to put their relations on a proper treaty

He declared that the "union of sovereign confederal states" to be inaugurated on Novem-



An honour guard of soldiers lines up to welcome President Yeltsin to Bonn yesterday

four days' time, Russia would indeed be a "sovereign state under international law. He even managed to cast a little doubt, by implication, on

ply forgot to answer. The one moment of good humour between the two leaders ironically concerned the case of Mr Erich Honecker, the

leader would be president of the new confederation, he similated in the new confederation in the similated former East German communist leader, whose return from many Mr Kohl is seeking. The Chancellor teasingly insisted that Mr Yelisin should

Honecker The Russian leader replied that it was up to Mr

"I have taken so many cometences from him. I might at ast leave him this one," he

Poland warned on Yugoslav war about the past election promises

By Christopher Bobinski in Warsaw

POLAND'S economic ing. Mr Balcerowicz yesterday achievements of the past two years could be nullified if the incoming government adopts potentially inflationary elec-tion promises, Mr Leszek Bal-cerowicz, the finance minister, warned vesterday.

He was referring to last month's inconclusive election in which many candidates, some of whom may now form the next government, promised to reverse Poland's recession in ways which risk re-igniting

The ballot on October 27 produced a fragmented parlia-ment, which meets for the first time next Monday. The present government, including Mr Balcerowicz, will then resign and will be asked to continue in a caretaker role while a new government is formed.

President Lech Walesa has promised to reveal the name of his nominee for the top government post at Monday's meet-

Wednesday night,

Judy Dempsey on the display of ancient hatreds in today's fighting

Belgrade television broadcast what so far has been one of the most horrific episodes of the civil war between Serbs and Croats in the republic of Croatla. During prime viewing time it showed film of mutilated bodies in

to the older generation, were reminiscent of the civil war which took place in Yugoslavia in the early 1940s.

The intention of Belgrade

Mr Balcerowicz also claimed sales now being conducted by private retailers as opposed to 5 per cent in 1989.

Steel pay dispute deepens

By Christopher Parkes

GERMAN steel manufacturers yesterday responded to union demands for a 10.5 per cent pay increase with a proposal to postpone negotiations for six

In the meantime, they were prepared to give all employees an interim increase of DM100 (£34.60) a month. They said controversy over the economic condition of the steel industry made a delay advisable. By next May it would be possible to see if the IG Metall union's forecast of an impending

upswing was correct.
The proposal, instantly dismissed by union officials as 'cheek", was the first offer in the three negotiating sessions held in the 1992 steel industry

pay round. The 1991 agreement expired at the end of October. The employers' stance marks a small strategic shift in what threatens to become a war of nerves between IG Metall and much of Germany's engineer-

Steel makers, suffering from falling prices, flat demand and the highest labour costs in from the government to keep pay rises below 5 per cent. would be completed by April.

declined to comment on whether he saw himself in the next cabinet. "There is so much speculation in the air and I don't want to contribute

Summing up the two years in which he has headed the economy, he said that maintaining growth in foreign trade, as well as low tariffs and currency convertibility had been a big achievement.

Foreign currency reserves had also stayed at a relatively high \$6.7bn (£3.8bn) at the end of August, when Poland's external debt reached \$44.8bn. This figure includes \$10.5bn owed to western commercial banks grouped in the London

success in privatising retail trade, with 75 per cent of all

charter

the charter provisions.

The energy charter — which will be signed by more than 30 countries, including the EC, US and Japan – is supposed to help the Soviet Union exploit

promise clauses in the sensithe charter.

Mr Rutten hoped the basic

Soviets to sign energy

By Andrew Hill in Brussels

THE Soviet Union "and its republics" are expected to sign the European energy charter in The Hague next month, but the problem of who controls Soviet energy policy is still overshadowing the basic legal agreement which will enforce

Mr Charles Rutten, chairman of the energy charter con-ference, said the third plenary session, which ended yester-day, had solved all the key outstanding issues on the charter text. That included agreeing com-

tive area of sovereignty over natural resources, and conced-ing that some states in central and eastern Europe might require a transition period to implement some provisions of

agreement, which would set up the institutional frame-

• FT Conference on Spain

Industry 'will have to foot \$12bn environment bill'

By Tom Burns in Madrid

MR Jose Borrell, Spain's public works minister, warned yesterday that domestic industry would have to spend \$12bn (£6.7bn) over the next five years to meet the EC's environmental requirements. He said his department had

already begun to take drastic action against companies that caused ecological damage.

In the most detailed public breakdown to date of the environmental clean-up task facing Spain, Mr Borrell said \$6.5bn would have to be spent on converting industrial plant, with the balance invested in new

production facilities. The total figure stated by the minister represents a huge bur-den for key industries. Spain's chemical companies, for exam-ple, would be obliged to shoulder 40 per cent of the investment burden and the energy sector would be responsible for a further 31 per cent.

Speaking on the last day of an FT conference on Spain's Role in Europe, Mr Borrell said domestic companies could expect less money to help them adapt to stricter environmental standards than some other

against each other. The war has entered a new phase. It is unstoppable," he said. The chances that the United Nations will send peace-keep-ing troops into Croatia now

which the victims' brains had been pulled out, and their eyes had been gouged. For four hours, viewers were shown gruesome scenes which,

television, the mouthpiece of Serbian President Slobodan Milosevic, was to convey the scale of the alleged atrocities which it claimed had been committed against Serbs by the Croats. Instead of a passionate plea for peace, the film was intended to generate anger among Serbs.

In Zagreb, the capital of Croatia, similar images have been broadcast. Night after ight hoth television stations maintain the hysteria of war.
These scenes of evil appear to
serve one main function: they
deepen the sense of revenge and hatred among both sides, and among all generations.

The fall of the Croatian town of Vukovar to the Serb-dominated army this week will not stem this hatred. Nor will it pacify the Serb-dominated army and Serb nationalist paramilitary units. If anything, western diplomats and histori-ans now believe that the fight-

ing will get worse.
"Croats, understandably, will seek revenge for Vukovar." a diplomat said, adding that Croat nationalists would drive out Serbs living in nonoccupied parts of the republic. He said the Serbs, whom Mr Milosevic plans to resettle in the regions of Baranja and Slawonia in eastern Croatia which have already been seized by Serbia, would also fight on. "Serbia and the army will

try to capture the Slavonian city of Osijek [in eastern Croatia]. Even if they fail, Croats and Serbs who remain in the villages will seek revenge

appear remote. "There is no peace to be kept," a military Indeed, what fragile peace there is in the ethnically-mixed republics of Bosnia-Hercego-vina and Macedonia will only be maintained if the UN decides quickly to send troops to those regions. The growing consensus among diplomats who have served in Yugoslavia, and among historians who understand the region, is that the only constructive

thing the international commu-nity can do is to contain the fighting. Against the background of propaganda and deaths unofficial estimates suggest that at least 10,000 people have



the reasons behind the civil war have become confused and

In Serbia in particular, Mr Milosevic has repeatedly demanded political autonomy for the 600,000-strong ethnic Serb community in Croatia on the grounds that they will be discriminated against in an independent Croatia. Yet since 1987, when Mr Milosevic was catapulted into power on a wave of Serbian nationalism, he has suppressed the cultural, ethnic and political rights of the 2m ethnic Albanians in the southern, Serbian-controlled

s Mr Ibrahim Rugova, leader of the Demo-cratic League of Kos-ovo, recently said: "The people who have died in Kosovo over the past year are not victims of a war, but victims of terror of the Serbian state; they are vic-



ing of the rights of men."
The Croatian government, which was elected on a nationalist platform last year, partly in reaction to Mr Milosevic's thinly disguised goal of carving a greater Serbia out of Croatia, now says it will grant greater

the Serba. "The tragedy for Croatia is that it made the offer too late," a Croat historian said. The reason is that since June 25, when Croatia declared its independence, the fighting has had the effect of radicalis-ing Crostian – and Serbian –

ethnic and political rights to

Power no longer rests in the hands of politicians, but among local nationalists and army

This has meant that compro mise and negotiation have had little place in a war which is no longer just about ethnic rights. It is a war about the

This past is meticulously and fairly documented in Mr Aleksa Djilas' new book, The Contested Country, which shows how the different notions of Croatian and Ser-bian statehood and national consciousness proved irreconcilable when the Kingdom of Serbs, Croats and Slovenes

Serbs, Croats and Stovenes (later called Yugoslavia) was created out of the ruins of the Habsburg and Ottoman empires in 1918.

The struggle to assert their respective statehoods and identities reached an ignominious climax during the Second World War, in what Mr Djilas' father, the writer Mr Milovan Diilas calls "the civil war Dillas, calls "the civil war within a war". Wide-scale atrocities were committed by the Ustashas, the Nazi-backed Croatian independent state, against Jews and Serbs in Croatia, and by the Chetniks, Serbian nationalist/royalist fighters, against the Moslems

The memory of those massacres and the pursuit of these two statehoods – which Tito's Yugoslav Communists also brutally suppressed, but in the name of "Yugoslavism", after 1945 — has now resurfaced

and long-term official external debts contracted before 1 Janu-

ary 1991. The parties will seek

comparable treatment from all

Irish ponder the future of their neutrality

Dublin needs European union for prosperity, writes Tim Coone

WHEN Nato was formed in 1948, the Irish prime minister. Mr John Costello, said: "Partition [of Ireland] must end before Eire will consider enter-ing into a defence pact with the western European coun-

Irish neutrality, which earned Winston Churchill's wrath during the Second World War, has been a central tenet of the country's foreign policy since 1921, when the 26 ties which make up today's republic won their indepen-dence from the United Kingdom. Now, however, almost half a century since Mr Costello uttered those words. Ireland views European politi-cal union as the key to future

prosperity.

As European Community
leaders prepare for their summit next month in Maastricht. Dublin displays little of the hesitation and insularity manifesting itself on the English side of the Irish Sea. While Ireland obviously has serious concerns to pursue at Maastricht (notably a desire to see a doubling of EC structural funds for the Community's funds for the Community's poorer nations, including ireland, and worries that a new treaty might compromise the country's constitutional ban on abortion) Dublin has positioned itself in the fast track to European political and monetary union.

Irish car registration plates carry the symbol of the 12-starred European flag. The European banner flutters alongside its Irish green, white and orange counterpart over

and orange counterpart over many public buildings and banks. In this atmosphere of Euro-dedication there are emerging signs that even the neutrality policy may eventu-ally be jettisoned.

A Foreign Ministry spokesman says: "If the Community devises a defence policy of itself and for itself, we will consider participating in it." He says Ireland's recent participation as an observer in the Western European Union meetings to discuss the crisis in Yugoslavia is a "clear signal" of Ireland's wish to work out a common foreign and security policy (CFSP) at Maastricht.

Prime Minister Charles Haughey, in a speech to a recent conference organised by the Irish Council of the European Movement, pointed out that the "sensitive" issue of security policy was "being made the subject of joint action for the first time". He said Ireland did "not rule out bility of majority voting for limited implementing measures, if these can be clearly defined and if adequate safeguards can be built into

the new treaty".

However, his words "sensitive", "limited", "clearly defined" and "adequate safeguards" demonstrate that Ireland's policy of neutrality cannot be altered simply or

quickly.

Ireland still prefers to draw a distinction between security and defence. It will support without hesitation global security issues such as disarmament and peacekeeping operations, but military alliances remain a delicate issue to be left for later.

Mr Haughey said: "We take the view that the framing of a common defence policy is something for the future... to be taken up when the CFSP is reviewed in five or six years' time." At that point, he said, "if the Community were to "if the Community were to develop its own defence arrangement for its security, then Ireland would consider participating."
Neutrality is not enshrined

COUNTDOWN TO MAASTRICHT

in Irish law, but there is a widespread belief that its abardonment would have to involve a referendum. Central to any referendum would be whether Europe remained linked to Nato; Irish politicians are deeply uneasy about such a link because this alliance, in their view, could too easily involve Ireland in military action beyond EC frontiers. Ireland politically supported the allied action in the Gulf War and allowed Shannon airport to be used for refuelling military aircraft. It was acting in line with EC and UN policy,

not Nato's. However, other Irish politicians take the view that Ireland should move more rapidly. Mr Jim O'keefe, foreign affairs spokesman for the oppo-sition Fine Gael party, says: "I believe our approach to political union should not be restricted by outdated notions of neutrality." The government's policy is "one of a series of winks and nods". A "clear and full debate" is

needed.

That debate is not expected until after Maastricht, when the government produces in the New Year its promised White Paper on the expected treaty. Mr Haughey has said Ireland's acceptance of any treaty must be ratified by a referendum because of any possible implications for the Irish constitution and its policy of neutrality.

A precedent was established after Ireland signed the Single European Act. Mr Raymond Crotty, a Trinity College economist and prominent "Euro-sceptic", challenged the deci-sion in the Constitutional Court and forced the 1927 referendum. It passed by a comfortable 70 per cent, but, in ratifying the act, Ireland again said this would not affect its "longestablished policy of neutral-

ideally, the Irish government would like the EC to adopt its own neutrality-driven views of defence with a greater emphasis on peacekeeping, of which Ireland has considerable experience. Almost 1,000 of its 12,000-strong armed forces are serving overseas with UN peacekeeping missions, mostly in Lebanon, and it is likely to provide more should UN or EC

troops be sent to Yugoslavia.

Meanwhile, Anglo-Irish relations, which in the tense postindependence years underpin-ned Ireland's stance on neutrality, are becoming increasingly irrelevant in the new pan-European view of many Irish politicians: Irish co-operation on security matters at European level is already a fact, and British and Irish troops now co-ordinate to fight the IRA

As Irish historian Professor J.J. Lee noted in his recent award-winning book, Ireland 1912-1985, "The most frequent official justification for neutrality was the border. Yet neutrality reinforced partition. . It is not clear where its longer-term importance lies. And it certainly did not translate into postwar [economic] perfor-

Moscow debt deferral deal with G7

The following are extracts from the Memorandum of Under-standing on external debt signed with the Group of Seven in Moscow yesterday.

The parties confirm that: (a) the Memorandum of Understanding on external debt of October 28 has now been signed without any reservation and has unconditionally entered into force with respect in the parties which have signed the said memorandum.

Without prejudice to the immediate entry into force of the Memorandum of Understanding the parties have undertaken to conclude, before the end of November this year, a special agreement on the allocation of the responsibility for the repayment and servicing of the external debt of the USSR as well as all its assets. The parties will adopt the necessary measures aimed at mobilising additional foreign exchange, as well as to con-serve foreign exchange, for the USSR Vnesheconombank (VEB) which has been authorised to service the debt in accordance with the Memoran-

dum.
The USSR Vnesheconombank subsidiaries and affiliates, and their branches, will seek clarification of their situation from the competent authorities of the countries in which they are located.

The parties will keep the G7 and other creditor countries informed about progress in implementing these commit-ments, including provision of full statistical information on debt service. They will put in place, working with the International

Monetary Fund, as a matter of the highest priority, appropriate macro-economic policies, which will address in particular the following issues: reduc-ing fiscal deficits, public expenditure and monetary growth and liberalising prices and the exchange rate. Accordingly, they intend, in full consultation with the IMF, to adopt and implement during the first quarter of 1992 comprehensive and ambitious macro-economic and structural adjustment pro-grams taking into account the

recommendations of the IMF. Aware of the high degree of their economic interdependence, the parties will seek to maintain free inter-republican trade. The parties also accept the need for full disclosure of existing economic and financial data in accordance with international standards and are prepared to improve their data collection systems; they will seek quick mobili-sation and disbursement of united credits already commit-

ted by other countries: the memorandum is open for signature by other successors to the USSR.

The parties are at present facing a critical situation in the economic and financial field. Therefore, they have asked for additional emergency external assistance, going beyond the food aid and other programmes under consideration or already in place. In response to all of the above, the G7 countries stand ready to support the measures listed below. (a) a deferral of payments,

on principal only, on medium-

other creditors, including commercial banks, other creditor countries and suppliers. The ferral will cover the principal payments on medium- and long-term credits falling due in the period at the end of 1992: it may continue beyond 31 March 1992 provided satisfactory progress is made. . in particular the adoption of programmes prepared in full consultation with the IMF and taking into account the recommendations of the IMF and the mobilisation of foreign exchange. For the deferral to remain valid, payments on non-deferred

ager and all creditors; (b) the maintenance of short-term credits by their export credit agencies, which will be asked to continue extending short-term lines and

ounts including interest will

have to be made on due dates. The implementation of this

measure will require negotia-

tions between the debt man-

pliers. The parties and their relevant financial institutions will seek the renewal of short-term credit lines from banks and from suppliers; (c) a possible emergency financing in the form of a gold swap facility which will be implemented in tranches depending on the progress in mobilising foreign currency for the service of the external debt. In this case the gold will have to be deposited in loca-

tions acceptable to the G7. All these measures represent an integral whole and are not to be considered separately. G7 support of this package of measures is based upon the con-tinuing fulfilment by the par-ties of the commitments above.

The G7 countries are ready to assist in obtaining treatment from countries indebted to the USSR which is comparable to that given to other creditor countries, according to standard co-operative international practices. The G7 countries will also provide advice aimed at mobilising foreign exchange.

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Italian judiciary to stage one-day

By Robert Graham

ITALY'S 7,000 magistrates are to stage a one-day strike to pro-test at what they regard as unwarranted interference by President Francesco Cossiga.

The action comes after the magistrates' governing body, the higher magistrates' council (CSM), climbed down in a dishis right to convene meetings and fix the agenda. Under the CSM's constitution, the head of state is also president of the body, and has these powers,

position as itiular.

They have thus sought to prevent Mr Cossiga from exercising anything that smacks of political control. This, they claim, has been increasingly

To avoid the threat of arrest To avoid the threat of arrest for meeting without Mr Cossiga's approval, the CSM postponed a session on Wednesday, and yesterday met with an agenda that contained none of the items which Mr Cossiga might have objected to. The magistrates had previously wanted to discuss whether to continue investigations into the affairs of a Masonic lodge in Bologna.

Rome to recognise 11 minority languages

ELEVEN minority languages have been formally recognised in Italy under a law just approved by parliament, writes Robert Graham.

The law will give regional authorities substantial discrein communities in which at least 15 per cent speak a minor-ity language. This includes teaching in primary schools and, in the case of of Sardinia, could even extend to secondary

education. Sardinia is expected to take most advantage of the new law as Sardinian, a language similar to Catalan, is widely spo-ken, especially in the country-

Other languages recognised include Albanian and Greek, spoken in small communities in the south. In the north, mainly along the Alpine chain and in the Veneto, are Croatian, Friulian, German, Ladina (round Pordenone-Venice), Occitana (Turin), Provençal

and Slovenian Opponents of the law, including a group of prominent intel-lectuals, claimed it would undermine the cultural unity of Italy. But Mr Silvano Labriola, the Socialist deputy who promoted the law, said these languages had survived without any official encouragement and Italian culture would be enriched by their formal

strike

pute with the president over but the magistrates regard the

evident since he fell out in May with his close friend, Mr Gio-vanni Gallone, the CSM vice-president and effective head.

n Bologna.

President Cossiga had closed-circuit television installed for yesterday's meeting so he could watch the CSM ing so he could watch the CSM from his office. Resolution of the conflict is complicated by his poor relations with his own Christian Democrat party and the politicking over who should succeed him when he leaves office next July. Nor have matters been helped by the president's style of arguing with his adversaries, through the news media.

Demonstrators back Havel's bid to avert break-up

THOUSANDS of demonstrators

THOUSANDS of demonstrators yesterday gathered in Prague to show their support for President Vaclav Havel and his latest attempts to save the country from breaking up into its Czech and Slovak parts.

Addressing them from the balcony where they stood during the revolution which toppled the communists two years

pled the communists two years ago, Mr Havel and former nearly 50,000 citizens they should urge parliamentarians to find a constitutional frame work for the co-existence of the two republics. "Deputies must respect their

election promises and assume their responsibilities," Mr Havel said. The crowd carried pro-federal banners and sang songs from the revolution of November 1989.

Deputies have failed to agree on the future of the 73-year-old federation. In addition, they have also been unable to devise the questions for a referendum on the issue. At issue is what how power

should be distributed be the federation, and the Czech and Slovak republic The prolonged and increasingly bitter crisis has prompted Mr Havel to seek greater powers to allow him to dissolve the

parliament and call early elec-Barlier in the day, Mr Havel presented to the presidium of the federal parliament a proj-ect whereby he could call a refect whereby he could call a ref-erendum if only 20 per cent of roters wanted one.

Mr Havel's attempt to bypass

will become an issue during the election campaign to be exploited by politicians from both republics. erendum if only 20 per cent of voters wanted one.

THE Balkanisation of Belgium has been exaggerated. Sun-day's general election will not According to an opinion poll two weeks ago in the franco-phone daily, La Libre Belgique, the party's support in Flanders has dropped from 31.4 per cent at the December 1987 election, end with one of the EC's most enthusiastic member states breaking up, Yugoslav-style, into Flemish-speaking Flanders and francophone Wallonia, with Brussels, self-styled capi-tal of Europe, torn between the two. to 25.4 per cent. If reproduced at the polls on Sunday, that could leave the Flemish Chris-tian Democrat MPs outnum-bered by French-speaking

Belgium steps

great divide

Sunday's general election

sider.

Devolution of further power

to the regions was already firmly on the political agenda

and Fleming and Walloon politicians, partners in govern-ment for almost their full four-

ment for atmost their full four-year term, appeared irreconcil-able. While prime minister Mr Wilfried Martens was trying to soothe his colleagues' feelings, the leader of his party - the Flemish Christian Democrats (CVP) - was refusing to speak

French to Walloon reporters.

But the ensuing election campaign has been calm, not to say stolid. The key-note has been struck by the CVP itself

- for many years the largest party in parliament - which has produced a single image for its poster campaign in Flan-ders: a waxy-looking Mr Mar-tens, shirt-sleeves rolled up, and the slogan "Zekerheid" -

and the slogan "Zekerheid"

certainty or security.

when the country's five-party centre-left coalition dis-integrated in acrimony and abuse at the beginning of Octo-ber that looked perhaps the most likely outcome to the out-The CVP's slump in opinion polls is only the most obvious manifestation of public irritation with the bickering of the five-party coalition in its final months. The principal benefi-ciaries of this discontent are both the Flemish and francophone green parties, and the Flemish right-wing extremists of Vlaams Blok, which advocates independence for Flanders and has doubled its support to 6 per cent in the

Flemish region.

Vlaams Blok — which has as its election symbol a pair of boxing gloves — provides some of the most extreme examples of an ugly streak of racism which is running through this election campaign. It is not confined to the extremists. The French-speaking "liberal" party – in fact, one of the main right-wing opposition groups. groups – is running a cam-paign in Brussels which makes British sensitivities about can-didates playing the race card look petty. Anti-immigrant

Havel: referendum call

the legislative and go to the

electorate stems from his conviction that the majority of

Czechoslovak citizens do not

want a divorce between the

two republics.
Indeed, recent polls show

that even independence-

minded Slovaks would vote to keep the federation.

the Slovak republic have

opposed a referendum, prefer-ring instead to bargain for

greater republican powers during the negotiations between the two republics.

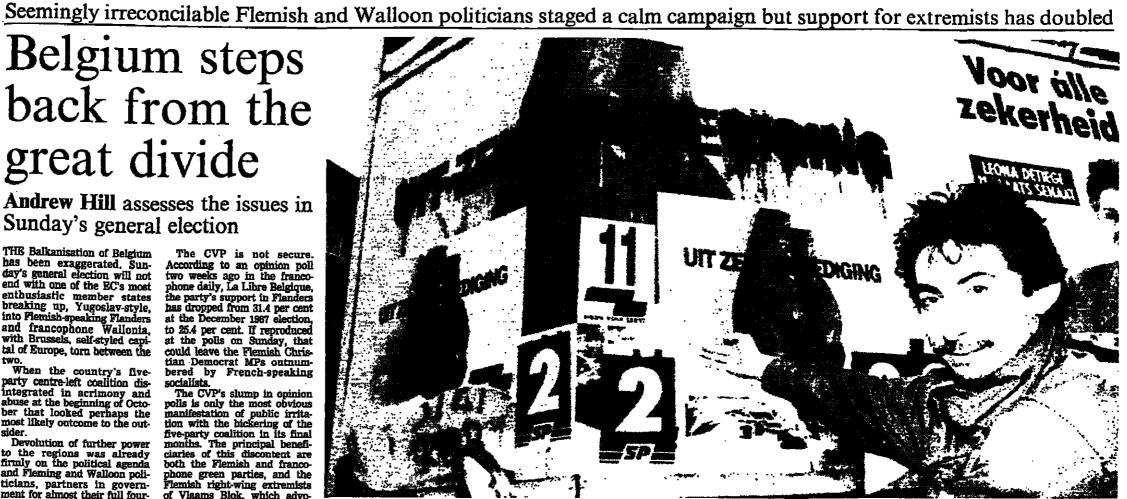
But Mr Havel and his advis-

ers believe that any delay in holding the referendum will

increase the risk that the

future status of the federation

But politicians, especially in



A Turkish immigrant points to a poster from the extremist Flemish party Vlaams Blok, which wants to send immigrants home. The poster features its symbol, a pair of boxing gloves and a slogan "For self defence". An ugly streak of racism is running through this election campaign

general of the Brussels-based

Centre de Recherche et d'Infor-mation Socio-Politiques, says part of the problem is the pro-

posters ("Stop à l'invasion!") and leaflets have already drawn legal complaints from the European Parliament and the Belgian anti-racist bodies.

Even if the swing to the right on Sunday is negligible (support for the two liberal parties is almost static according to opinion polls), politicians agree that immigration policy will be a priority for the part coelition. "This is relay to next coalition. "This is going to oblige the next government to have a real programme on immigration," admits Mr Steve Dubois, chief adviser to the CVP minister Mr Jean-Luc

But the swing during the election campaign has not so much been from left to right, as from indifference to apathy. The same opinion poli showed that 27 per cent of voters were still undecided a far higher proportion than normal and the most prominent candidates have preferred to continue the squabbling over devolution, rather than discuss important issues such as Belgium's large budget deficit.

part of the problem is the pro-liferation of parties - 11 in the last parliament: "We're not in a country with two big powers like in Britain and therefore the debate can't really be simplified for the public. Everything is nuanced."

Belgians seem to be agreed on two things. With the CVP's vote reduced, and support spread between the other main parties, it will take a long time to form the next coalition, parof representatives if it is to push through the next phase of constitutional reform. In 1987 it took well over 100 days for Mr Martens to cobble together a five-party coalition.

ticularly as the government

will need to command a two-thirds majority in the chamber

Mr Martens himself appears to be almost the only other ral-lying point for the Belgian electorate. If, as expected, the French socialists win the largest number of seats in the parliament, by rights a franco-phone should become prime

against the grain of recent Bel-gian political history. In addition, as the CVP's Mr Dubois puts it: "None of the leading characters in the PS is suffi-ciently bilingual".

In any case, a poll last week-end showed that Mr Martens was still the most popular choice of prime minister. If the king agrees, the EC's longest-serving prime minister will try to assemble his 10th coalition. Holding it together could test even his legendary talent for

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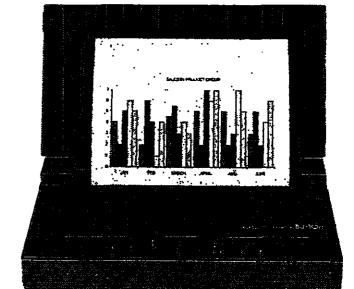
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Romania's new constitution sets seal on democracy

ROMANIA'S parliament yesterday adopted a new con-ctitution guaranteeing plural-ism, human rights and a free market, Reuter reports from

The document, adopted 23 months after communist rule was overthrown in a bloody uprising, defines Romania as a republic with a government subordinated to the president, who is elected for a maximum of two four-year terms, and a two-chamber legislature elected for four years.

The constitution defines Romania as a market economy and guarantees private property rights. It establishes natural resources as public property which can be leased, bars foreigners from owning real estate and scraps the communist concept of an automatic right to work.

of the president.

Drawing up the constitution took parliament almost 18 months of often heated debate over issues ranging from eth-nic minority rights to the stasocialist republic in which all basic freedoms were repressed. tus of churches and the powers

It was opposed by the main opposition groups - the National Peasants, the Hungar-Romania and the National Liberals erals. Some of these favour a return to the monarchy, while others complain that the new basic law was still rooted in the communist era.

The National Salvation Front, which won a two-thirds majority in free elections in May 1990, voted overwhelmingly to adopt the document, ensuring that it was passed.

It is the country's first multi-party republican constitution and draws heavily on the French system, giving sub-stantial powers to the presi-

Romania was a constitutional monarchy with a series of coalition governments until Soviet-backed communists dethroned King Michael and banished him in 1947. From then until December

1989 it was ruled as a one-party

That system collapsed as revo-

lution swept across eastern Europe in late 1989, climaxing in the toppling and execution of dictator Nicolae Ceausescu. The constitution, expected to be submitted to a referendum within 30 days before taking legal effect, stipulates that "the rule of law" will prevail "in a social and democratic state"

where human rights, justice and political pluralism are It respects the Universal Declaration on Human Rights bans the death penalty, corpo ral punishment and torture and limits the powers of arrest and detention without trial. The constitution underlines

the rights of privacy and resice, which were often violated under the communists. It also recognises the right of minorities to their ethnic, cultural, linguistic and religious identities, but it declares

Romanian to be the country's

official language. Romania has an ethnic minority of 2.3m Hungarians. who say their language and cultural rights are restricted.

Israeli Labour party ready to cede territory

By Judy Maitz in Jerusalem

ISRAEL'S opposition Labour party yesterday adopted a political platform which to Syria in the Golan Heights and recognises the national rights of the Palestinian peo-ple, in what represents a clear victory for the dovish branch

of the party.

The platform was approved at the close of a three-day national convention, marked by bitter ideological disputes

within the party.

"This is an uplifting hour.
The party is setting off on its way with a clear platform that obligates all its members," said Mr Shimon Peres, the Labour leader after delegates. leader after delegates responded to his call to put aside their differences and

approve the platform.
In order to placate Labour's hawks, it was agreed the plat-form would not include any mention of the Palestine Liberation Organisation (PLO). The party's doves had sought to include a clause calling for direct peace negotiations with PLO members having no prior

record of terrorist activity.
On the opening day of the convention, an overwhelming majority of delegates did, how-ever, vote in favour of repealing a law that bans contacts with the PLO.

Mr Yossi Beilin, one of Labour's most outspoken doves, was clearly satisfied with the outcome of the con-

"The Labour party never, never came out with such a dovish platform since 1967, and in my opinion this is what can bring the party many more votes," he said.

The dovish branch of Labour had threatened to defect to smaller left-wing parties, if its demands for greater flexibility in the peace process were not

met. The convention also passed a resolution, dividing church and state in a move that is potentially as damaging to Labour given the historical importance of religious parties in sustaining Israel's coalition govern-

But even Mr Yitzhak Rabin, who is identified with the hawks and is seen as the only real threat to Mr Peres, managed to surprise delegates when he hinted that he would be willing to make territorial compromises involving the Golan Heights.

Israel's national elections are scheduled for November 1992. Recent opinion polls show sup-port for Labour has been slid-ing and Likud's popularity



Israeli Labour leader Shimon Peres yesterday urging his party to adopt 'the most dovish platform since 1967'

Jordan's new premier names cabinet

Australian opposition unveils radical plan

JORDAN'S new prime minister yesterday named a cabinet to appease parliamentary dissi-dents, including Islamic funda-mentalists who helped to bring down his predecessor, Reuter ts from Amman.

The Moslem Brotherhood, an opponent of Middle East peace talks, is the largest bloc in par-

But former Royal Court chief Mr Sharif Zeid Bin Shaker, who presented a 28-member cabinet to his cousin King Hussein, retained the foreign min-ister, Mr Kamel Abu Jaber.

estinian-born Mr Taher al-Masri, who resigned last week after failing to win the support of deputies.

A big task for his new government is to keep mending

fences with powerful Arab states such as Saudi Arabia and the west, angered by Jordan's Gulf war stance.

More than half the deputies

opposed Mr Masri, partly because they oppose the peace talks with Israel. Mr Masri, a career diplomat, took office only five months ago to steer Jordan to the controversial This is the second govern-ment formed in recent years by Mr Bin Shaker, who won popu-lar acclaim after taking over as prime minister in 1989 follow-ing riots sparked by price rises, charges of envernment curruncharges of government corrup-tion and demands for increased democracy.

His transitional government put Jordan's debt-riddled economy back on course and oversaw the first parliamentary elections in 22 years.

Mr Bin Shaker appointed
Thougan Hindawi, head of the

powerful Constitution bloc

against Mr Masri, as deputy prime minister and education

Minister.

King Husseln, in his appointment letter to Mr Bin Shaker, noted the importance of ties with Saudi Arabia, a relationship Jordan has been trying to repair since the Gulf war.

He also emphasised the kingdom's commitment to the Middle East neare process.

dle East peace process.

The new cabinet, seen as more conservative mix of technocrats and deputies, retains economic experts such as finance minister Basil Jarda-

US ready to pay Iran \$275m for weapons not sent

By Lionel Barber in Washington

THE US and Iran will shortly reach agreement on a payment of \$275m to Tehran relating to undelivered US-made weapons ordered by the Shah of Iran, according to US officials.

according to US officials.

The agreement reflects the steady improvement in relations between the US and Iran, underlined by the statements from Washington this week thanking Iran and Syria for their role in the release of western hostages in Lebanon. Lebanon.
The administration denies

that the hostage issue is linked to the settlement of outstanding Iranian claims dating from before the 1979 Iranian resolution; but officials agree that these two problems must be resolved before normal relations can be

Iranian demands for up to \$10bn in compensation are under negotiation at a tribunal in the Hague, the sole forum for direct contacts between the US and Iran. Similarly, US companies and dual nationals

have filed several billion dollars in counter-claims against Iran for assets seized

against iran for assets serred during the revolution.

The New York Times reported yesterday that the accord providing for the \$275m would be announced within the next two weeks, barring any new iranian claims. It said that a settlement reached that a settlement reached earlier this year ran into difficulties after the US refused to give Iran the full amount and suggested a partial payment into an escrow account to cover US

counter-claims.

Last week, in a further friendly signal to the Tehran regime, the US blamed the Libyan government for the bombing of Pan Am 103 over Lockerbie, Scotland. The adminstration studiously avoided implicating Iran and Syria, despite earlier reports that both governments had a motive for the bombing in retaliation for the downing of an Iranian airliner by a US

Rows hold up all-party talks in South Africa

By Patti Waldmelr in Johannesburg

ALL-PARTY talks on South Africa's first non-racial constitution were yesterday postponed after disagreements over who should chair the discus-

sions and other details. Talks are now expected to take place on December 20 and 21. according to separate state-ments issued yesterday by the South African government, the African National Congress (ANC) and the Inkatha Freedom Party. However, the radical Pan Africanist Congress, another key participant, insisted that the talks take place outside South Africa, a demand which will not be agreed to by the other main

groups due to attend. Negotiations were originally due on November 29, the date

announced by Mr Nelson

Mandela, ANC president, last

musical licences.

week. However, Mr Mandela's announcement was viewed as premature by other parties to the talks, contributing to the The government and the

... 2,

ANC said yesterday they would hold a meeting on November 29 to try to clear the way for negotiations on December 20 and 21. But the fact that all three

main participants issued sepa-rate statements indicates that further difficulties remain. to The start of the talks would

be an important breakthrough after months of political

However, the December meeting, if it is held on time, will be mainly symbolic, with substantive talks not due to

Thai PM criticises army powers in new constitution

upon the whole or any part of the contents of this announce

THAILAND'S controversial draft constitution passed its second reading in the legisla-tive assembly yesterday prompting Prime Minister Anand Panyarachum to speak out against provisions he has described as undemocratic, write Victor Mallet and Peter Ungphakorn in Bangkok.

Clauses granting a military-appointed Senate power to par-

ticipate in choosing the prime minister, and to vote with the elected lower house in budget and no-confidence debates, remain in the draft, which awaits a straight vote next month. The main parties and civil rights campaigners organised rallies on Tuesday to pres-sure the military, who took power in a coup last February, to reject the constitution.

ical fiscal and economic reforms, including extensive privatisation, if they win the next federal election, reports Kevin Brown from Sydney. The proposals include big cuts in personal income taxes, the abolition of seven existing taxes, and the introduction of a

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Announcement

The directors of CITIC Telecommunications Limited have been informed that the register of members of Hong Kong Telecommunications Limited ("HK Telecom") will be closed from (Hong Kong time) 9th December, 1991, both days inclusive, (the

"Book Close Period") for the purpose of determining the entitlements to HK Telecom's interim dividend of HK\$0.175 per HK Telecom ordinary share for the year ending 31st. March, 1992. Holders of the Warrants shall be suspended if the Exercise Date (as defined in the conditions endorsed on the Warrant certificates ("Conditions") shall fell less than 10 Business Days (as defined in the Conditions)

prior to the first day of the period during which the register of members of HK Telecom is closed or during the Book Close Period.

in order to qualify for the proposed interim dividend of HK Telecom, holders of Bearer Warrants must deliver duly completed exercise notice to Euroclear or Cedal not later than 10:00am on 25th November, 1991 (Brussels time or Luxembourg time, as the case may be) and holders of Registered Warrant must deliver duly completed exercise notice to Central Registration Hong Kong Limited, the Registrar, at 19th Floor, Hopewell Centre, 183 Queens's Road East, Hong Kong not later than 10:00 am on 25th November, 1991

13th December, 1991 such Exercise Date shall be postponed until the first Business Day after the expiry of such period.

Accordingly if an Exercise Date relating to the exercise of any Warrants shall fall within the period from 26th November, 1991 to

teness and expressly discialms any liability whatsoever for any loss howsoever arising from or in reliance

AUSTRALIA'S conservative system in the European Community. Mr John Hewson, leader of opposition parties yesterday unveiled detailed plans for rad-

the Liberal/National Party conservative coalition, said the reforms would revitalise the Australian economy and contribute to the creation of 2m new jobs over the next decade. It was widely welcomed by smen but attracted criticism from social services Goods and Services Tax (GST), similar to the Value Added Tax organisations, which said low income families would be hurt

by the GST proposals.

The Labor government appeared surprised by the size and scope of the package. Mr Bob Hawke, the Prime Minis-ter, said it would "polarise" the country by benefiting the rich.

The coalition parties said the package would cut personal income tax by an average of 30 per cent, at a cost of A\$13bn. The biggest beneficiaries would be low to middle income

The GST would be set at 15 per cent, which is forecast to cause a one-off increase of 4.4 per cent in inflation. Pensions and social security payments would be increased by between 4.8 and 8 per cent.

Ten government corpora-tions would be sold, including the main telecommunications carrier, the Federal Airports Corporation, Qantas, the inter-national airline, and a stake in the Commonwealth Bank.

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aucor auctioneering group Johannesburg Cape Town Durban

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For details write: Box H9316 ncial Times, One Southwark Bridge, London SEI 9HL THE BUSINESS SECTION ALSO APPEARS ON PAGE 12 TODAY

p.

CONTRACTS & TENDERS



TENDER ANNOUNCEMENT SALE OF IRANIAN CAVIAR

Shilat Trading Corporation is intended to sell quality exportable Iranian caviar in all middle east countries, Pakistan and India, through tender. The winner of this tender will be the exclusive distributor of Iranian caviar in said

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HEAD OFFICE

full address of participant by registered airmail.

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Hong Kong, 20th November, 1991

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P.O. BOX 52130 FAX: 278943 Those participants who could not call on to A/M addresses directly, should send their applications together with original copy of slip of payment and one empty envelope with

WHERE TO TAKE **STOCK** OF YOUR **SHARES**

By order of the board Amy Wong Hing Hung

Weekend FT

Bearer Warrants to subscribe for shares of common stock (the "Shares") of Matsushita Electric Works, Ltd. issued in conjunction with U.S. \$300,000,000 3 per cent. Notes 1992 (the "1992 Warrants") and U.S. \$200,000,000 4-56 per cent. Notes 1995 (the "1995 Warrants")

(the "1935 Warrants")
Notice is hereby given, pursuant to Clauses and 4 of the Instrument relating to the 1992 Warrants dated 30th September, 1987, and pursuant to Clauses and 4 of the Instrument relating to the 1995 Warrants dated 12th September, 1991.
On 9th November, 1991, the Board of Directors of Marsushita Electric Works, Ltd. resolved to make stock split (equivalent to a free distribution of Shares) to its shareholders of record as of 30th November, 1991, topan time, at a rate of 1.1 Shares for each apan time, at a rate of 1.1 Shares for each one Share held.

one Share held.

Accordingly, the Subscription Prices with regard to the respective Warrants shall be adjusted, effective as of 1st December, 1991, Japan time. The Subscription Price currently in effect for the 1992 Warrants is Yen 2,027.90 per Share and the adjusted subscription Price will be Yen 1,843.50 per Share. The Subscription Price currently in effect for the 1995 Warrants is Yen 1,394 per Share and the adjusted Subscription Price will be Yen 1,267.30 per Share.

Mateushitz Electric Works 1 kd.

Matsushita Electric Works, Ltd.

By: The Bank of Tokyo Trust Comp

Dated: November 22, 1991

ns not sen

d up all-pan South Africk



Japanese finance and securities industry workers campaign at the Tokyo Stock Exchange yesterday over pay and conditions

Singapore sounds the alert

from the tough-minded Lee

Kuan Yew, is at least preparing the electorate for a

possible era of more modest, but sustainable, economic

progress.
His pledge of a more open.

consultative style has let loose a hubbub of dissenting opinion, not least from the rank and file of his People's

Another recession similar to that which beset the island-state six years ago might not be so meekly

Action Party (PAP).

received by the public.

Gordon Cramb on the implications of an electronics downturn

☐ INGAPORE'S electronics industry, one of the main conveyor belts of the country's economic growth, has gone into reverse for the first time since 1985. Expansion in financial services, another of the island's channels of recent success, is juddering to a halt after four strong years.

Anxiety in some quarters has been met with equanimity in others in the week which the island has had to assess the sectoral setbacks. These were thrown into relief last Friday in third-quarter figures for gross domestic product (GDP), which showed an overall slowing to 6.5 per cent eal growth from 7.1 per cent in the previous three months and 8.3 per cent in 1990 as a

whole.
Indeed, even as the latest quarter drew to a close, the state Economic Planning Committee was already warning that export competitiveness in manufacturing bad descended into a danger zone where the relative level of labour costs made the risk of recession

made the risk of recession high.

There are as yet few signs of upset in other key parts of the economy: construction, property and hotels, which together took the brunt of the mid-1980s battering, are holding up well, although one leading estate apent this week eading estate agent this week

forecast a 5 per cent dip in the residential market by mid-1992. In addition, private sector economists play down the worst of recessionary fears, Defending his and his predecessor's record to a PAP convention last weekend, Mr Goh appeared especially stung by suggestions that the party talking of a revival in overall was neglecting the poor. He demand by mid-1992 and an under-supplied labour market. They attribute the electronics problems largely to world overstocking in hard disk drives, of which Singapore is a big producer, and the sluggishness in the financial sector to a temporary was quoted as asserting that, while inflation rose during the last decade (it is currently 3.6 per cent), less-skilled workers had benefited from higher real wage increases than rofessionals and managers. He cited Department of

sector to a temporary reining-back of foreign exchange dealings by overseas Statistics figures showing that, after inflation, people ranging from skilled white-collar banks anxious to meet capital employees to executives adequacy requirements laid down by the Bank for International Settlements. received increases of only 2.2 per cent, while production, transport and other manual Given the dire official warnings, however, there are signs that the government of Prime Minister Goh Chok Tong, who took over a year ago workers received a real gain of 5.3 per cent. A female shop-floor worker

A temale shop-floor worker earning perhaps \$\$500 (£168) a month to slot electronic components into printed circuit boards may be mollified by this, and by the knowledge that her counterpart in other Association of South East Asian Nations (Asean) countries would be bringing in rather less. Her immediate future seems relatively assured to the face of the 5.9 per cent decline in electronics industry output in the three months to October compared with the period a year ago, employers are trying to retain experienced staff in the hope of an early upturn.

Redundancies in the industry have been modest, and those jobs that have gone have commonly been associated with foreign companies withdrawing from Singapore for narrower corporate reasons. Ashton-Tate of the US on Monday announced the closure of its software reproduction plant with the loss of 63 jobs, in a move which followed the takeover of the group by the

ith unemployment in Singapore only some 2 per cent, the companies' consequent wish to keep surplus workers is itself eroding competitiveness in the short term, while a steadily strengthening local dollar is putting a further dent in export prospects. According to Mr Yang Sy Jian of Kay Hian James Capel, an affiliate of the London stockbroking firm, the ever-watchful Monetary Authority of Singapore, the central bank, is allowing the currency to continue a two-year rising trend in order to keep inflation low. The negative side, he is sure it recognises, is slower growth.
With Singapore's small domestic base, whether the country escapes recession depends as always on the timing and extent of an upturn

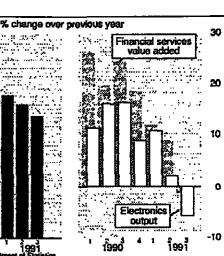
in the US and other main

1 1990 1 1991 Source : Singapore Department of State markets. This time, though, there is optimism that a shift to higher value-added electronics products with more home-grown design input will cushion the island against cost-driven relocations in what is by far its main manufacturing industry.

Mr Yang sees this as a

"major transition of the next five years" and, to the extent that it is already happening, argues that it remains unreflected in the GDP breakdown by crude value of goods produced. He adds that, as Singaporean companies themselves join overseas multinationals in setting up production elsewhere in the region, the wider measure of GNP would become the more meaningful.

The production-line worker turning a flat circuit board into



an electronic mosaic may therefore not always find her skills as sought-after, as manufacturers shift to lower-wage areas such as adjacent southern Malaysia.

Her white-collar compatriots on the forex dealing rooms and back offices of foreign banks have already felt the chill blast, albeit from Basle rather than Johor Baharu. By one unofficial estimate, as the volume of currency trading through Singapore shrank by more than a quarter from its peak of nearly US\$100bn a day, 1,000 of their number have been shed.

However, the fact that the vast majority of these are reported to have been snapped up by local banking groups may well say something for Singapore's capacity for

US to postpone fresh troop cuts in South Korea

By John Ridding in Seoul

THE US and South Korea yesterday said they would post-pone indefinitely further cuts in American military forces in South Korea because of the threat posed by North Korea's

nuclear programme. Mr Richard Cheney, US defence secretary, said in Seoul he was "convinced that North Korea is developing the capa-bility to build a nuclear weapon" and that the prospect of a North Korea with nuclear weapons was the biggest threat to security in north-east Asia.

As a result, he said there would be no reduction in forces after the completion of a first stage of troop cuts in 1993 "until the dangers of the North Korean nuclear programme have been thoroughly

the second phase that had been planned to reduce troop num-bers by about 6,000 to 30,000 between 1993 and 1995. The first phase has already cut US troops from 43,000 to about 39,000 and is due to reduce them to 36,000 by the end of

next year.

Mr Cheney, and Mr Lee Jong
Koo, the South Korean defence
minister, urged North Korea to allow international inspection of its nuclear facilities in line with its commitments under the nuclear non-proliferation treaty, to which it is a signatory. Pyongyang, which denies its nuclear programme is aimed at developing weapons, has consistently rejected demands for international international internation. It has said South

inspection. It has said South Korea must be removed from the protection of the US nuclear umbrella of regional sea and air-launched warheads before it will allow inspection.

Mr Lee said that South Korea and the US would step up diplomatic pressure on North Korea and try to enlist

and China, Pyongyang's tradi-tional allies. Mr Cheney said that he welcomsd a declaration by South Korea's President Roh Tae Woo that Seoul would not use,

Hyundai backs away from clash with Seoul on penalty taxes

By John Ridding in Seoul

THE Hyundai Group, one of South Korea's largest conglom-erates, yesterday said it would pay penalty taxes of won 136bn (£106m) in an attempt to resolve a confrontation with

the Korean government.
The move reverses Hyundai's refusal to pay the tax pen-alties which were imposed fol-lowing charges of irregular share transactions and avoid-ance of inheritance taxes. It is expected to lead to a settlement between the conglomer

ste and the government.
The confrontation, which has escalated over the last week, has come to represent a test of strength. It has added to tensions between the adminis-tration and the chaebol, the family-owned conglomerates which dominate the economy.

which dominate the economy.

After an emergency meeting of group executives, Hyundai said it would pay won 91.1hn of the penalty taxes by the end of this month and ask permission to pay the balance later.

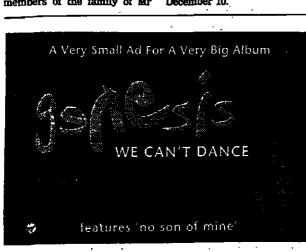
Officials at the Office of National Tax Administration, which levied the taxes on 10 Hyundai subsidiaries and eight members of the family of Mr

Chung Ju Yung, founder and honorary chairman of the Hyundai Group, said they had not decided whether to accept Hyundai's proposed solution. But they indicated it might be

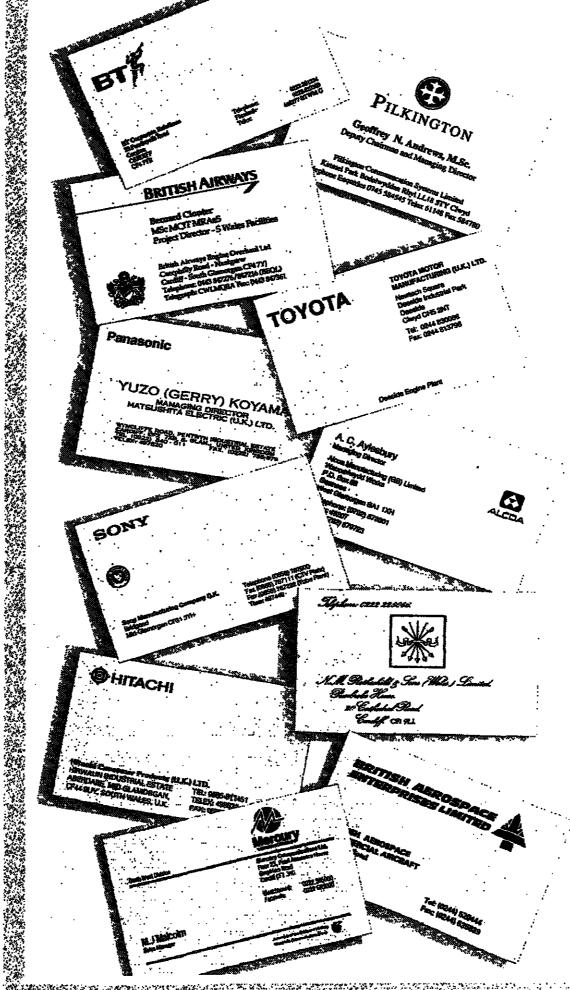
possible to grant an extension for part of the payment. Even if resolved, the reper-cussions of the affair will lincustons of the anar will im-ger. The investigation has sent a clear signal to the *chaebol* that the government is step-ping up attempts to limit the transfer of wealth and management control between different generations of the family-

owned business groups.
Hyundai said that it would still appeal against the penalty taxes, a record for a Korean business group, and that it still regarded the government ction as "unfair". Analysts at securities compa-

nies attributed Hyundai's compromise to concern over the promise to concern over the government's tough line. The national tax administration said on Tuesday it would confiscate assets of the business group if it failed to pay half of the penalties by the end of this month and the balance by



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AMERICAN NEWS

Doubts grow on recovery of **US** economy

By Michael Prowse in Washington

AN unexpectedly sharp rise in the number of workers seeking unemployment insurance yesterday raised fresh doubts about the health of the US

Initial claims for unemployment insurance jumped 39,000 to 493,000 in the week ending November 9. after seasonal adjustment. This was the second substantial weekly increase and, unless rapidly reversed, signals a return to recessionary conditions in labour markets.

"It's a bit scary," said Mr David Wyss, director of research at DRI McGraw Hill, a forecasting firm. If sustained, this level of claims "suggests the economy may be heading down again

DRI recently revised down its forecasts and expects no significant economic recovery until next spring. Marginal growth of 0.5-1.0 per cent at an annual rate is expected this quarter.

monitor jobless claims as a leading indicator of employ-

When the recession began in July 1990, claims were running at a weekly rate of about

By Sally Bowen in Lima

THE Peruvian tax authority Sunat has taken the unprece-

dented step of temporarily clos-

ing down seven leading businesses for non-payment of monthly tax dues and failure

The Lima-based companies

include a state-owned labora-

tory which produces oral rehy-

dration salts (used in the treat-ment of cholera), several

textile manufacturers and a

colourants company belonging to a prominent senator and for-

Peru's private businessmen's

association. A five-star Lima

president of Confiep,

Peru closes companies

for not paying taxes

350,000. They hit a peak of over 500,000 early this year before receding to about 400,000 after a limp recovery in the early summer.

The claims figures are volatile on a weekly basis but the four-week moving average has now drifted steadily higher since July, suggesting a significant loss of momentum.

 The National Association of Business Economists yesterday sharply reduced its forecast for growth in the current quarter to 2 per cent at an annual rate from 2.8 per cent

The association's panel of 45 economists remains mildly optimistic about next year. forecasting a "lethargic recov ery" with output growing at about 3 per cent, which is half the average for post-war recov-

However, 10 per cent feared a "double dip" recession. The panel saw a "silver lining" in the shape of lower inflation. The GNP deflator, the broadest measure of inflation, was likely to rise by only 3.1 per cent next year, putting downward pressure on wage

hotel has appealed against clo-sure, but if the tribunal finds

against it, as expected, it will

cease trading for twenty days instead of ten.

fruits of a massive reorganisa-tion inside Sunat, which had

become notoriously ineffective

and corrupt. Administrative

reforms have already pushed up tax revenue from 4 per cent of GDP last year to almost 8 per cent. Mr Manuel Estela, Sunat chief, thinks that he can

raise collections to 16 per cent

by May 1993 by countering widespread evasion.

The sanctions are the first

Military legacy puts Chile's democracy to the test

President Aylwin's 20-month-old coalition faces its toughest challenge, writes Stephen Fidler the army's intelligence unit.

HILEAN President Patricio Aylwin has just taken on his toughest challenge since he assumed power from a reluctant General Augusto Pinochet 20 months ago.

The announcement that his coalition government aims to sweep away the remaining institutional legacies of 16 years of military rule will provide the acid test for the country's new democracy. The reforms are expected to encounter stiff opposition from both the political right and the

The proposed changes provide the first unequivocal sign from President Aylwin that he, rather than a successor, intends to complete in full the transition from a military government to a democratic

The governing coalition of Socialists, Radicals, Greens

and Christian Democrats can claim significant success in the

way it has tackled its problems, including cooling an economy overheated by the military régime in a vain bid to win presidential votes. However, it still must live with its armed forces, which, as a legacy of military rule, continue to play a large role in Chilean society. "People don't realise how many pieces of leg-islation, how many rules, how many constraints, were inherited from the previous govern-ment," said Mr Alejandro Foxley, the Chilean finance minister, in a recent interview. "One of these is the issue of defence expenditure."

The first of the reforms, already approved, introduces direct elections for municipal councils and mayors to replace officials appointed by Gen Pinochet. The first local elections since 1971 are expected before June next year. Mr Aylwin, who has already introduced legislation which

will, among other things, reduce the influence of the Pinochet-appointed judges in the Supreme Court, intends to present other constitutional amendments next March. They • Restoring the president's power to remove commanders-in-chief of the armed forces. Under the 1980 constitution.

the president can neither appoint nor remove military

chiefs. Gen Pinochet has the right to remain as head of the army until 1997.

Reforming the bias of the electoral system towards the right-wing opposition, chang-ing the composition of the constitutional tribunal and ensuring all senators are elected, thus abolishing the senators appointed by the military



UNKASY TRUCE: Aylwin's coalition must still live with its armed forces

The issues are linked. The 75-year-old general, who still commands intense loyalty, particularly in the 57,000-strong army, is himself seen as a source of instability and a block to democratic transition.

Mr Foxley and the government have little say over military expenditures. Spending on the military, including pensions of retired servicemen, is expected to total 17.6 per cent of the national budget next year, roughly equal to spend-ing on health and education

run out until 1997. Together with those elected, the right controls 22 senators, a blocking before stepping down from power decrees that military expenditure cannot fall in real terms below the level of 1989. majority.

Another military law makes The military threat to Chile has since 1989 been much the number of active service-men a state secret. Only the composition of the high comreduced: a long-running border dispute with Argentina was as good as settled this year, and relations with Chile's other neighbours, Bolivia and Peru,

have much improved. However, overturning the military spending legislation requires a Senate vote. This will be difficult because nine of the 38 senators are Pinochet

that are being seen as a testing ground for the presidential elections in December 1993. As a result, the consensus politics which marked the first year of democracy have been aban-The government is also fac-

ing growing social pressures, arising partiy out of years of autocratic rule and economic stagnation brought about by the Latin American debt crisis. Some 42 per cent of the 13m population lives below the poverty line and the desire for improved living standards after years of austerity under the military regime has been manifested in a growing num-

President Aylwin will be

pushing through these reforms as the two conservative par-

ties, Renovacion Nacional and

Union Democratica Indepen-

diente, try to carve indepen-dent profiles. This is ahead of

next year's municipal elections

ber of strikes, particularly in Mr Foxley concedes these pressures will grow but says the government will resist the public sector. calls to relax policy. "If this democracy is going to succeed," he said, "it won't be by taking the easy way out. People will have to learn that we have to go gradually and that we can't afford to give in to gressive demands."

year to secure a \$2bn standby

The extra revenue is to come

from increased taxes proposed in a series of emergency reforms currently before Con-

The government originally hoped to raise an extra \$12bn.

but has already had to back

down partially on the reforms, which would have meant a

sharp increase in the tax bur-

It is also expected to drop a

den on the middle class.

Brazil falls short of debt swaps target Pensioners' pay puts

By Christina Lamb in Rio de Janeiro

BRAZILIAN economy ministry officials said yesterday that there had been a disappointing response to the government's decision to allow debt-for-

nature swads Such swaps involve creditors forgiving debt to a country in return for its government donating a percentage of the face value of the debt, in local currency, to an environmental project. In the Brazilian case the government will give 6 per cent a year of the debt's face value in percetuity.

June that it would allow such conversions represented a reversal of government policy and came after strong pressure on President Fernando Collor during a trip to Washington. The nominal target for this

year was \$100m but yesterday Mr Dagoberto Koebntopp from the foreign department of the Economy Ministry said that only five small projects had been received so far.

"We expected far more interest," he said. "For five years I've been in this area and every time I went abroad or met for-eign bankers they complained that we had no conversion programme. Yet now we do the

response is disappointing."
However, bankers blame the lack of applications on the restrictions in Brazil's conversion programme and point out that at a recent forum Brazilian non-governmental organi-sations voted against accepting debt swaps, arguing that to do so would be to accept that the legitimacy of the debt.

Bank of America, recently announced it was donating \$6m of its Latin American debt for swaps, the bulk of which is intended for Brazil, Mr Joel Korn, president of Bank of America in Brazil, said: "There is no question that the interest is there. What's been disap-pointing is the restrictions in terms of yearly available funding. For every \$1m we forgive only \$60,000 is given to the

project. But Mr Denot Medeiros, international director of the economy ministry, said that with monthly inflation at 30 percent the government is reluctant to allow further expansion of the money sup-

swaps had become less interesting because of hopes of an agreement - along lines set out by US treasury secretary Nicholas Brady - on restructuring Brazil's \$52bn commercial debt early next year. This is expected to push up the value of Brazilian debt on the secondary market from 25.5 cents in the dollar to 40 cents.

 US regulators have further downgraded their evaluation of Brazil's foreign debt. The Inter Agency Country Exposure Risk Committee (ICERC) has asked American banks to increase their reserve provisions against Brazilian short, medium and long-term debt expansion of the money supply.

Mr Allan Walker, of Midland
Montagu in Brazil, said debt

from 40 to 50 per cent. The
decision caused the price of
Brazilian debt on the secondary market to fall slightly.

IMF accord at risk

BRAZIL'S hopes of an accord with the International Monetary Fund may be in jeopardy because of a court ruling

awarding a 147 per cent pay increase to the country's 12.6m pensioners. The government will appeal next Monday against the deci-

mand of the three branches is

in Congress on whether the armed forces are appropriately

structured. Moreover, 1,200 members of the former secret

police, many of them spies and torturers, remain on the gov-ernment payroll as members of

There can thus be no debate

made public.

According to economy minis-ter officials, the ruling would mean an extra \$6bn in expenditure next year, undermining the fiscal targets recently agreed with the IMF.

proposal asking companies to pay two-thirds of their tax in In a letter of intent expected to go before the IMF board in January, Brazil promised to make a fiscal adjustment equivalent to 2 per cent of gross domestic product next 1992 rather than 1993. Congress must pass the reforms within the next 20 days if they are to take effect

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The BBC's annual appeal for children in need is widely supported in Europe as well as the UK. Phone-in centres have been organised for the last few years in both Amsterdam and Brussels with the money raised through them being split equally between the host country and the main UK fund.

To find our how to make your donation to the appeal, in Holland or Belgium, you can either call the special phone-in numbers throughout the evening of Friday 22nd November, or call the relevant recorded information number between 11 November and 6 December.

These numbers are:

Holland

Phone in centre 020 6760711 Recorded info 06 350 24045

(charged at 50 cents per minute)

Belgium

Recorded info

077 345 405

Phone in centre

02 236 6333

Marinage.

phen Fidler

World Bank approves new co-financing tool

THE World Bank this week substantially broadened the scope of its Enhanced Co-financing Operation (ECO) to make it easier for commercial banks to participate in the financing of aid assisted projects in developing countries.

The action will have immedi-

ate effect on the Hab River power project in Pakistan, a \$1.5bn (£835m) scheme to build a 1,232 MW oil-fired power scheme. Most of the contracts for Hab River have been signed, but have been pending while western banks have awaited a World Bank decision awaged a world bank decision to broaden the scope of its financial support for infra-structure projects. Under the ECO facility, the

World Bank agrees to partially cover risks on project support loans extended by foreign and domestic commercial banks domestic commercial names backing projects in the host country. Apart form Pakistan, it also will be able to be used to support projects in Colom-bia, India, Indonesia and Mal-aysia, as well as other coun-tries with extensive

intention of the ECO is to a four-year grace period. boost private capital flows to According to Mr Ibrahim developing countries from for- Elwan, the Bank's privating eign banks, made easier because of the Bank's decision to provide safeguards against risks not under the control of the private sector.

The intent is to buttress aid supported programmes and broaden the potential for private sector equity participation in infrastructure projects.

The intent is to buttress aidsupported programmes and broaden the potential for private sector equity participation in infrastructure projects. In the Pakistani project, the ECO would be extended to a bank syndicate led by Mitsui Bank, Bank of Tokyo, Citibank, Crédit Lyonniss and Union Rank of Switzerland Union Bank of Switzerland. who would provide a \$360m 14-year syndicated loan, including

Egypt attempts to juggle

Tony Walker on a nation changing its approach

old and new markets

tion manager and architect of the facility, the ECO guarantee for the project will provide protection to the commercial banks against sovereign risks, including the failure by the Pakistan government to com-ply with the agreements for the purchase of electricity, the supply of fuel and the conver-

sion of revenues to foreign exchange to service the debt. The Hab River scheme is set up as a private sector utility under Pakistan's restructuring programme.

It is to be managed by HubCo and would generate power which would be sold

power which would be sold into the national grid. Kenel Industries operating the com-plex and K & M Engineering of the US providing construction supervision.

Ground-breaking is sched-uled for January with the first of four 323 MW units on line in three years. Frank Gray is Editor of Power

in Asia, a Financial Times

GE near accord with **McDonnell Douglas on** new engine

By Paul Betts, Aerospace Correspondent

GENERAL Electric (GE) of the US is about to sign an agree-ment with McDonnell Douglas to provide its new heavy thrust GE90 engine to power the US aircraft manufacturer's proposed 375-seat MD-12 threeengine airliner, further inten-sifying competition in the big engine market between GE, Rolls-Royce and Pratt & Whit-

ney.

Mr Ron Welsch, head of the \$1.5bn (£835m) GE90 engine programme, confirmed in Cincinatii that the company was about to finalise an accord with McDonnell Douglas. He said GE expected to offer a 115in diameter fan version of its GE90 for the MD-12 trijet instead of the 123in fan it is developing for the new Boeing 777 twin jet.

British Airways became this support the launch enstoner.

British Airways became this summer the launch customer for the GE90 when it ordered the engine for its new fleet of Roeing 777s. Mr Brian Rowe, head of GE's engine operations, said the company had won an order from another undisclosed airline for GE90 engines to power Boeing 777 aircraft. 777 aircraft.

777 aircraft.

GE executives also disclosed that the company was in "extremely advanced" negotiations in the Soviet Union to re-engine with CFM-56 power plants jointly built by GE and Succma of France Aeroflot Ilyushin 86 four-engine airlingers.

 In a separate deal, Boeing said it had awarded a multi-million dollar contract for nose landing-gear doors for the new Boeing 777 to Short Brothers of Belfast.

US stays calm over stalled agriculture talks with EC

THERE was no visible sign of discussions would move to a alarm yesterday in the office of Mrs Carla Hills, the US trade representative, in reaction to reports that the US-EC talks over agriculture reform had stalled. The negotiations are part of the Uruguay Round talks on trade liberalisation under the General Agreement on Tariffs and Trade (Gatt). Ms Torie Clarke, her spokes-man insisted that "the talks

break down." She said Mr Arthur Dunkel Gatt director-general, would prepare a paper with his sug-gestions on the talks, and the

wider group of negotiators. The Uruguay Round is President Bush's top trade priority, but, in Washington, distance from the negotiating battle pro-vides a certain sort of objectivity. A European official on Wednesday mentioned casually that the French were being 'difficult.'

Reports that the president

had made concessions two weeks ago in the Hague have been widely dismissed. Mr didn't break up and didn't Harry Freeman, executive director of the MTN Coalition, the group of business leaders committed to the Uruguay

Round, said Mr Bush had not gone to the Hague to negotiate but to get a political commit-ment for a breakthrough.

the position the US took three years ago was just a negotiating start. He is prepared to be more flexible. The EC made a big deal out of it. It gives them more political manoeuvring room. It is unpopular to cut the Common Agriculture Policy.

no specific level of cuts in farm subsidies had been reached at

"What Bush said was that

They want to cut it and blame it on the US. Pine!" Mrs Hills has insisted that

He noted this would be "good news" for British export-ers, but did not reveal by how much rates would be cut. Ericsson wins SKr500m contract

ERICSSON, the Swedish telecommunications company, has grouping of foreign businesswon a SKr500m (£47m) order from Switzerland through its men. Japanese businessmen and government officials establocal partner Ascom for the installation of a national digilished this year to investigate ways of improving access to Japanese markets for foreign tal mobile telephone system by 1995, it was announced yester day, writes Robert Taylor in companies.
The businessmen welcomed

NEWS IN BRIEF

ECGD trims

S Africa rates

THE COST of insuring export

credits on British companies

contracts in South Africa is to fall following a review of pre-

mium rates by the Export

Credits Guarantee Department

writes David Dodwell, World Trade Editor.

The high cost of insuring

contracts in South Africa
- along with limits on the
availability of cover - has

been a matter of mounting con-

cern among British exporters.

The decision to trim pre-

mium rates was revealed by

Mr Tim Sainsbury, Britain's trade minister, at the end of

this week's official visit to

British Telecom and Mercury, America's AT & T. Germany's Bundespost and France Telecom are among 25 telecom agencies from all parts of the world which have bought a share of the world's first digital telecommunications cable between Europe and the Soviet Union, it was announced by Telecom, a division of Tele Danmark, the Danish telecoms agency, writes Hilary Barnes in Copenhagen.

Japan urged to move faster on imports and inward investments

By Stefan Wagstyl in Tokyo

FOREIGN business leaders yesterday urged Japan to move faster in removing barriers to imports and inward invest-

After a day of talks with Jap-anese government officials they warned that the recent surge in Japan's trade surplus would provoke reaction and calls for protectionism in north American and Europe.

Mr Joseph Gorman, the chairman of TRW, the US auto components maker, said that if the growth in the surplus was not stemmed then Mr Bush could lose next year's US presi-

A Democratic Party presi-dent and a Democratic Party Congress could enact protec-tionist measures, he warned. Mr Wisse Dekker, the former president of the Dutch company Philips Electronics and now chairman of its supervi-



over Japan's surplus sory board, said there was "a growing tension in Europe' over Japan's surplus.
The businessmen a ssmen are members of the Import Board, a

They also expressed satisfaction that Japan is considering other steps, including tax-free zones for importers warehouses and assembly plants. Japan has welcomed a Washington announcement that a visit to Japan and Asia by President Bush, which had been scheduled for the end of this month and then cancelled at short notice, will now take

place in early January.

measures proposed by Japan in recent weeks to improve access

to government procurement

programmes and promote

import-purchasing by large Japanese companies.

Telecoms groups in Soviet link

FUTURE BUSINESS STRATEGIES IN SOUTHERN AFRICA

Increasing trade and banking expansion into Africa

Barry Swart, Managing Director of First National Bank talks to John Spira, Finance Editor of Johannesburg's Sunday Star.

Swart: very competitive, we've seen rationalisation in the form of the recent Amalgamated Banks of SA (ABSA) merger, leaving the country with five large banking groups. I still believe there are too many players in the market, so in the medium to long term there's bound to be more rationalisation.

We're now into two-and-a-half years of economic downturn,

interest rates have been high for a long time and the results ming to show — among them that many overgear ses have gone to the wall. Bad debts are becoming are of the banking scene.

Here we've stolen a march on our competitors via our early warning system, where we can take action sooner, thereby uting back on the magnitude of bad debts.

There's been a scramble for market share but we've

constrained our asset growth to concentrate on profitable business as part of the rationalisation within the bank and to ousness as part of the rationansanon winns the bank and to build up our capital base. I'm convinced that was the right decision, in that our profits have been buoyant and our capital has been restored to adequate levels. FNB's share price is reflecting an appreciation of these factors.

One positive spinoff from the recession is that labour turnover in the bank is down to the lowest levels I can remember. This helps tremendously on staff skills. We don't have to retrain (a very expensive process), thereby enhancing client service.

Spira: First National has been making inroads into the mortgage bond market. What's the current score and why are you concentrating so much effort in this area?

Swart: The big benefit in the home loan arena is that your capital requirements are halved. For the past seven months we've had one record month after another. We've taken a different approach to the building societies by pumping money into advertising and paying for an account to be transferred from months institution. The people has been there becomes the second another institution. The result has been that our book has grown by 50 percent this year. And we anticipate further growth in ahs ahead.

ABSA controls some 40 percent of South Africa's mortgage market and we believe that we need to expand our market share to a degree which reflects our overall size in the overall banking

Spira: Are interest rates in South Africa too high?

Swart: No, in fact our real inscrest rates are too low. The South African Reserve Bank is applying classic monetary policy in a high inflation situation. One of our top priorities is to get inflation down.

It'll be difficult but we mustn't throw in the sowel. You don't

blow the final whistle at half time.

Spira: How do you feel about the entry of foreign banks into South Africa?

Swart: You have foreign banks coming to South Africa in the guise of a representative office. They knock on the door of our top corporates and offer them Eurofinance, which finance is booked offshore. The representative office is not then subject to South African banking regulations.

On the other hand, our representatives overseas are precluded from doing any business. Up until 1986 we were excluded from doing business in the UK, largely because we had an English parent. When the debt standstill came, Barclays disinvested, since which time we've tried to get into London but have been turned down because of the standstill arrangements. Now we've been told that we're welcome to file an application.

But the application will have to be for a subsidiary - which eans we'll have to estalish a subsidiary with its own capital. That means the amount of capital we're able to furnish will determine the type and amount of business we can do. If Barelays, for instance, came here as a branch it could use its considerable capital to operate in South Africa. Is that a level playing field? Of course it isn't. If we wish to operate in the UK, we are obliged to establish a subsidiary; if UK banks wish to come here, they do so by means of a branch office. I can't see the equity in such an arrangement.

There's another problem. Little long term money is coming into South Africa. As a result, foreign banks are making trade

thrance available here, giving uses a short insome promet. Herein lies a risk for South Africa — a risk parallel to the situation that arose in 1985, when the country had borrowed short to finance long term projects. When the rug was pulled, we couldn't repay at short notice. The same danger is building up as a result of the activities of foreign banks in this country. The solution is simple. There is a concept of reciprocity in international banking and I don't think we've been accorded the reciprocity to which we're entitled. All I'm saying is let

Spira: Do you envisage long term capital coming to South Africa in the foreseeable future?

everybody play to the same rules.

Swart: I'm not hopeful. The key is the IMF, where the Americans have the veto. Our inability to access IMF finance is inhibiting the Reserve Bank from loosening the economic is inhibiting the Reserve teams from nouscame are economic reins. We're living like a man who can't get an overdraft. We can't go to a friendly bank manager because we're cut off. So if we're going to get economic growth going, South Africa, more specifically because of its high propensity to import, will need bridging finance, which can come only from the IMF. Nor will European bankers (who are currently well disposed teameric Couth Africa) lend us longer than 12 month money. towards South Africa) lend us longer than 12 month money until they know that the IMF is ready to assist should we encounter balance of payments problems. In the meantime, they're preferring to look at eastern Europe, where they're close

Besides, sentiment has been moving against Africa. And South Africa is part of Africa, though some European bankers see South Africa for what it really is - a progressive wes society. At the same time, this country can so easily be lumped together with the rest of Africa. That's clearly a danger. Confidence is the other side of the investment equation. The overseas investor is a hard-mosed businessman who looks for stability and a fair renum for his risk. If both ingredients aren't

present, he won't invest, however attractive the rate may seem. For the present, that confidence is lacking, largely because of the pronouncements of South Africa's extra-parliamentary

Spira: What is FNB's involvement in Africa?

Swart: We're heavily involved in trading with Africa. It's an swart: We to heavily involved in banding with Artical it's an aspect of our business which has been rising substantially every year for the past few years and we've lost very little money. So we certainly have a good idea of how to finance trade flows and allied business in Africa.

From an operational point of view, because of the anti-South African feeling of the past, it's been impossible to establish offices in African countries, other than in Namaha, where we've been for many years and where we're probably the largest financial institution.

But the situation is changing. We've recently been given a licence to go into Botswana, where we've been made very welcome and where we've bought BCCI Botswana. Then, at the request of the Governor of the Malawian central bank, we've ed a finance company there in concert with a bank and an insurance company (we each have a one-third interest). We supply the systems and the managing director — essentially

You could say we're more than interested in expanding our interests in Africa, largely following our traditional trade flows.

Zimbabwe and Angola would be of particular interest. At the same time, we'll make sure that when we go into a country we'll be allowed to take out our profits and that our nvestment is safe - in the same way that foreign companies sting in South Africa insist on these criteria.

A lot more doors have been opened. I believe that this whole southern region would welcome us tomorrow, because they can fully realise what we can do for them. The Botswa for instance, were impressed with our training and electronic facilities and we'll be taking more of that into Botswana and

Spira: What progress is FNB making in terms of its social responsibility and equal opportunity programmes?

Swart: We have for many years run what we call a social investment budget, which covers more than 1 000 projects.

About 57 percent of the budget is spent on education, because



Barry Swart

we've long recognised that inadequate education is the hub of South Africa's problem. We give to all the universities, technikons and many special schools. And we'll continue to

FNB is also involved in the private sector initiative — an adjunct to the Independent Development Trust — which, too, focuses on education, training and, to a lesser extent, housing. The third leg of the budget is an involvement with other mortgage association lenders, where as a group we've made available R3,5 billion to finance homes valued at between R12 500 and R45 000 (the very basic of housing).

As realists, we recognise that money spent on education won't produce results overnight. It'll take a generation to bear fruit but one has to start somewhere.

On the score of equal employment opportunities, there we progress every year. Just over a third of our clerical and managerial workforce is now non-white. On the managerial side, we have 600 people of colour (out of 3 000), varying from branch managers and assistant branch managers down to branch administrators and departmental heads. As yet there are no people of colour in the general management of the bank, but it will happen eventually as the cream rises to the top. That's the way we want it. Meritocracy is the only way. The percentage is increasing all the time.

Spira: What's the latest on Bank City?

Swart: Bank City is probably the biggest property development in the southern hemisphere at the moment. It covers four Johannesburg city blocks in the first three phases and then we have another three adjacent city blocks where we can develop

At the end of the day, when it's completed in 1995, it will represent an investment of well in excess of RI billion. At that time we'll have 202 000 square metres of office and parking space accommodating 5 000 people.

Ultimately, what Bank City does for FNB is to consolidate

Ultimately, what Bank City does for FNB is to consolidate the bank's support services into one area from our current situation of occupying 28 different buildings.

Bank City is a multi-functional, energy efficient complex. For the first five years of occupation, the impact on FNB's bottom line will be minimal. Thereafter, the effect will be largely positive, with the added benefit that its increased value will add to 512 control courterments in terms of our Description. d to fill 2 capital requirements in terms of our Deposit Taking

Spira: How would you describe FNB's outlook for the next couple of years?

Swart: Over the past two to three years we've rationalised. cleaned out non-performing assets, raised staff morale and re-established profitability. Success breeds success. Given that the country can sort out its politics, FNB is well poised to surge

Spira: Last year there was widespread talk of the hanks being nationalised under a new ANC-dominated

Swart: The whole question of nationalisation has subsided into the background. I don't believe it will happen. The benefits of the market economy and the discipline of the profit motive are becoming increasingly appreciated right across the South African political spectrum



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ers' pay puts ford at risk

> Egypt, which has been striving to develop new markets for its nontraditional exports such as garments, shoes, fresh vegetabl and citrus is finding the going tough following dramatic changes in trading habits in its eastern European and Soviet markets.
>
> Trade with eastern Europe is down this year by 10-15 per cent compared with last year, and business with the Soviet Union under a special sterling pound clearing account has all but collapsed in the light of

upheavals in Soviet republi Mr Essam Farag, an under-secretary in Egypt's department of the Economy and For-eign Trade, said it would take time for Egyptian exporters, used to cosy "back-to-back" deals covered by an annual trade protocol signed with the Soviet Union, to find new ways to do business with the emerg-ing republics.

The Egyptian official describes the present stage as one of "transition" in Egypt's dealings with what were until recently centrally planned economies much like its own. Mr Farag is not looking forward to discussions next month with Soviet officials on a new trade protocol for 1992.

"Do they know who the minister of economy and trade is?" he asked facetiously. Egypt, for its part, is also finding that changes in eastern Europe are liberalise its own system.

These countries (eastern European and the Soviet Union) are moving towards increasingly reluctant to engage in barter deals and other special arrangement with public sector authorities," he

Egypt's goal, Mr Farag said, in this transition phase is to try to ensure that there is not a "critical drop" in its trade with former East Bloc countries at a time when it is also preparing to cope with the new and more competitive Euro-pean unified market in 1992.

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EGYPT'S FOREIGN TRADE 1989 Main Exports Per cent Major imports Energy products Manufactures 50.2 Manufactures 24.6 Food Raw materials Raw materials 19.9 **Energy products** 34.9 18.9 6.0 4.2 3.9 43.0 EC 11.6 US 5.8 Romania 5.2 Soviet Union

In 1990 Eastern Europe and the Soviet Union absorbed 21 ble in the past six months. Eastern European trade attachés are reporting a very substantial drop in Egypt's exports. Egypt's exports to Poland, for example, slumped from \$30m in 1989 to just \$1m per cent of Egypt's total One of the principal aims of recently-concluded IMF and World Bank programmes for

far-reaching structural reforms of the Egyptian economy is to encourage a growth in exports of non-traditional items where Egypt has a comparative advantage because of its low cost structure and proximity to an and Arab markets.

Egyptian exports are domi-nated by oil and oil products which account for more than 50 per cent, and cotton and cotton yarn which comprise about 20 per cent, although exports of non-traditional items have been increasing fairly rapidly.

r Farag said that total trade in the first four months of 1991 was up by about 15 per cent on last year. This was largely due to a sharp increase in Egypt's oil export earnings. In the 12 mouths to June, 1991 oil receipts jumped by 70 per cent to \$2.54bn. In spite of the improvement in the oil sector, Egypt's trade deficit in calendary and the collection of th 1990 was \$7.3bn with mer-

chandise imports of \$11.6bn and exports of \$4.3hn.

An IMF programme introduced in May was designed to bring about a further devaluation in the Egyptian pound to increase Egypt's competitiveness, but

this year.
Trade with the Soviet Union was expected to total £750m under this year's (1991) proto-col, but it has only reached a fraction of that amount due the political chaos in Russia and the Republics.

According to Mr Vladimir Favelov, a Soviet commercial attaché in Cairo, the Soviet Union would meet about 50 per cent of its obligations to Egypt

Egyptian trade officials say that Egypt's exports to the Soviet Union this year exceed imports by about \$120m a fig-ure contested by Soviet offi-

The year, 1991, may well mark the end of annual trade protocols with the Soviet Union that date back to the days of President Gamal Abdel Nasser when Moscow emerged as Egypt's main arms supplier. It is perhaps not overstating things to report this is the end

of an era. The question for Egypt, still entrapped by its own highly centralised system, is whether it is prepared for the rigours of the free-wheeling and chaotic market economies that are emerging from the ruins of eastern Europe's own centrally



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Thatcher in defiant clashes on referendum

By Ivor Owen, David Owen and Ivo Dawnay

A DEFIANT Mrs Margaret Thatcher, the former prime minister, was at the centre of renewed controversy in the whether the abandonment of sterling in favour of a single European currency should be subject to a referendum.

She insisted on advocating such a course even though it brought her into direct conflict with Mr John Major, the prime minister, Mr Douglas Hurd, the foreign secretary, and with Mr Edward Heath, with whom she has repeatedly clashed since ousting him from the Conser vative leadership in 1975. Even before the second day's

TO MAASTRICHT



debate on next month's EC summit at Masstricht got under way Mr John Major firmly ruled out a referendum

He stressed that he would also be opposed to a referendum on a single currency if at some future date the three main political parties were agreed on such a course. Mrs Thatcher listened in

silence to the prime minister and the foreign secretary but was unable to resist respond-ing to scornful criticism from Mr Heath.

He gleefully recalled the speech made by Mrs Thatcher when she led the Conservative party in a vote against the referendum authorised by the Labour government in 1975 on whether Britain should remain a member of the European

Mocking laughter came from the Labour benches as the two clashed, while Mr Major and his senior colleagues looked on in silent embarrassment.

Mr Heath said Mrs Thatcher had opposed a referendum in 1975 on the grounds that it would "bind and fetter parliamentary sovereignity in

practice' He said "I agree with her entirely. I see no reason to change that view, or her view, at this moment or in the

Mrs Thatcher said she had inherited opposition to a refer-endum in 1975 from Mr Heath and had "loyally upheld it". She argued that different considerations would apply if, as seemed likely, the three main parties favoured the adoption of a single currency. To cheers from some of her

supporters, Mrs Thatcher demanded "how are the people going to make their views Mr Heath replied that such

situations constantly occurred in parliamentary history, and that there were other issues on which voters could reach a Mr Hurd, the foreign secretary, called for a more positive approach to closer co-operation

with the EC and argued that the defensive note struck on so many occasions did not accord with the events of recent years. Many policies adopted by the Community, he said, particularly in improving hudgetary arrangements, had their origins in views expressed by Mrs Thatcher, during her period as prime ministers and he other prime minister, and by other

Mr Nigel Lawson, the former chancellor of the exchequer. said the key issue was not the political union treaty amendements, but the economic ones. If the community adopted a single currency, then a single finance minister and a single government would follow.

British ministers.

With a single currency on the way, financial markets would reconsider their readiness to hold the debts of countries with large debt over-hangs, suggesting that their interest rates would go up con-siderably possibly forcing a Community bail-out of highly indebted countries.

Now the serious bargaining is about to begin

Philip Stephens considers the further battles John Major has to fight with his European partners

E has completed the negotia-tions with his own party. Now Mr John Major must begin the serious bargaining with his European partners. The resounding backing that the prime minister secured last night from Conservative MPs at the conclusion of the two-day Commons debate on Europe did not dispose of the political perils.

The awkward gyrations over

whether there might be a referendum on the issue of a single currency gave notice of the battles ahead if Mr Major returns from Maastricht next month declaring peace in our time.

The government is still not sure that it can secure an agreement at

Maastricht. The outstanding difficulties over the Community's role in the economic, and particular fiscal, policies of member state are unlikely to prove an insuperable obstacle to a

treaty on monetary union.

But the cri de coeur from Mr Jacques Delors this week on the shape of the political union treaty was an awkward reminder that others might yet decide that an accord acceptable to Mr Major is one not worth having.

Ministers are far from certain that the prime minister's good personal relationship with Mr Helmut Köhl will prevent the German chancellor from making a deal with President François Mitterrand that would leave the government isolated. There are fears too that Spain's insistence on a commitment to largescale financial transfers from richer to poorer nations could yet throw the

whole negotiating process into chaos. Mr Major implored his counterparts that he would accept at the 11th hour a treaty which gave substance to their federalist ambitions.

Mr Douglas Hurd spent much of last week's two-day conclave of for-eign ministers doing the same. There is cautious optimism that the message has got through.

What remains to be seen is whether

as a sign of weakness or of strength.

They know that the government is seeking an agreement that the political colorisation in Lordon is that itself. cal calculation in London is that isolation next month would jeopardise its electoral prospects next year.

Mr Major is ready to compromise further. If the tone of his speech to the Commons was dictated by the Euro-sceptics, the offers of further concessions were only thinly dis-

He won cheers from his backbenchers for the lengthy list of concessions he pledged himself not to make. But as Mr Hurd indicated yesterday, the list included many no longer being asked of him. The structure of the

draft political union treaty, with its intergovernmental pillars keeping for elgo, security, interior and immigration policies outside of the Treaty of Rome, meets Britain's principal objective of limiting the jurisdiction of the

European Court.

Mr Major is ready to sign up to a new intergovernmental conference in 1996 as long as there is no attempt to prejudge its outcome. The concept of European citizenship - so abhorrent to the Tory sceptics - holds no lears for Downing Street. Such concession do not begin to measure up to the grand visions of Mr Köhl or Mr Delors. But Mr Major wants and needs to trans-late them into a deal at Maastricht.



Douglas Hurd reaffirmed that Britain would be advocating a bigger role for the European parliament

Mr Lawson said that, nonetheless, he could support signa-ture of the economic and monetary union treaty amendments provided the "opt-out" clause for the UK was maintained and the binding declaration accepting a goal of a single currency, which Britain would not sign, was

He was also ready to go to Stage Two of the proposed EMU process, accepting a Economic Monetary Institute of central banks, provided that this was the "stopping point".

Mr Hurd ridiculed the gyrations of Mr Nell Kinnock,the Labour leader, which had

brought him full circle as he first opposed Britain's member-ship of the European Community and then supported it while his party changed its position seven times. He likened the attacks to subjected from the government benches to "pouring salvoes

into a grievously stricken Mr Hurd reaffirmed that Britain would be advocating a

parliament, and more "teeth" for the European Court of Justice in the Maastricht negotia-

nomic, monetary and political union would be presented.

do-it-yourself IT was the day of the Do It Yourself constitutionalist the parties in the House [of Commons] to abandon the

mier, tossed a call for a referendum on a single currency into the already fermenting important point."
This, government ministers debate on European integra-That nobody had properly thought out when it would be procedurally proper to hold a plebiscite under Britain's

unwritten constitution was clear from the reaction of Downing Street.
First it appeared to be suggesting a referendum may be possible at some date in the future; yesterday it shifted back to outright opposition. "On this issue I do not see a need for a referendum," Prime Minister Mr John Major told

at Westminster as Mrs Mar-

Constitutional

Minister Mr John Major told Mr Neil Kinnock, Labour Party leader, yesterday.

Mrs Thatcher created much of the confusion with her speech on Wednesday. Initially she described how "signing up to the concept of a single currency, signing up to its institutions" was to be, "driven into what I regard as a trap".

Some Tory Euro-sceptics saw

Some Tory Euro-sceptics saw that as endorsing a referendum on the outcome of the Maas tricht EC summit - presum-ably after the general election when the legislation required to ratify the treaties on eco-

But later in her speech Mrs Thatcher said that if "at some noint in the future there right to issue the pound ster-ling . . the people would have no choice at an election time about that enormously

argued, would imply delaying a referendum until, say, 1996 or 1997 when a decision on whether to join a single cur-rency was about to be taken under the "opt-out" for Britain in the draft treaties.

Mr Francis Maude, financial

secretary to the Treasury, said on BBC Radio that Mrs Thatcher had been arguing that, "in certain rather restrictive circumstances, [it] might, when a decision arose on a single currency . . be right to have a referendum then."

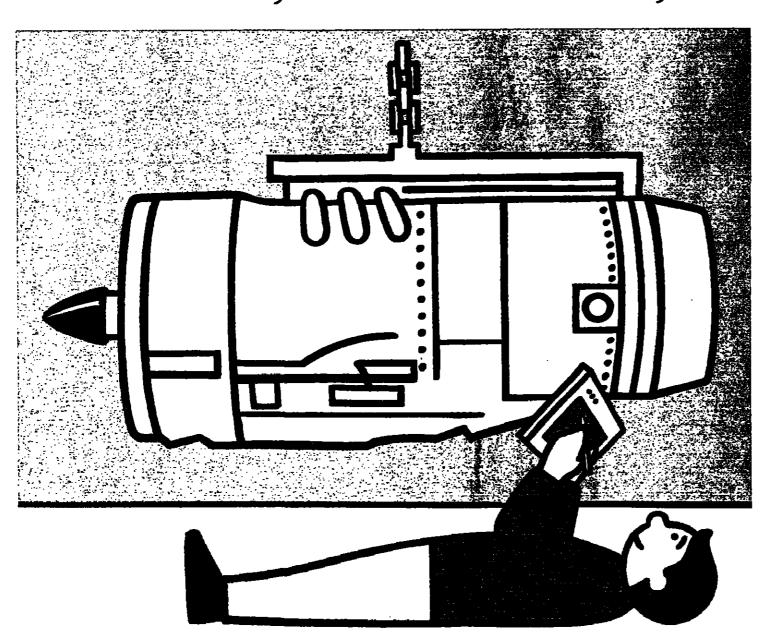
Like Mr John Major later, he said that it would not be right to bind a future parliament to any such decision. What was not explained is why Mr Major was able to bind the parliament after the next election, when Maastricht will be ratified, but he was unable to bind a later parliament, when a sin-gle currency came into effect. One senior official tried to solve the conundrum by claiming, rather disingenuously,

that Mr Major was confident of winning the general election.

Mr Major's refusal to completely rule out a referendum raised speculation that he feared having to revise his

position later.

Using our notepad computer, he can identify the part number he needs, transmit the order, and be shown how to fit it.



Now you can give your mobile technicians what they've always needed to get jobs

An NCR Notepad computer. As easy to use as a notepad, but with all the power of a

When the technician leaves on his rounds, his calls are already loaded in. A simple tap on the screen displays the forms he needs - but, thanks to the computer, these are 'intelligent forms'

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number

to begin Education Industry should resources inject resources in college sector in college sector

By Andrew Adonis

EMPLOYERS ought to play a greater role in shaping the future of higher education in the UK, ensuring that research and student courses better reflect the needs of the economy, Mr Kenneth Clarke, education secretary, told the Confederation of British Industry vesterday.

yesterday. Addressing a CBI conference on higher education, Mr Clarke said public funds would con-tinue to be the main source of higher education income. But, he added, companies should inject their own resources "to

inject their own resources to influence the development of the system" as it undergoes rapid expansion in the 1990s.

"The 'ivory towers' of academe belong to the past", he said. "Formulating and transmitting the right signals to students seem to me the most important contributions which important contributions which employers can make to improv-ing the match between higher education output and their needs". Government funding councils should also aid the

The government gave a strong lead in that direction yesterday by announcing the

appointment of Sir Ron Dear-ing as chairman-designate of the proposed Higher Education Funding Council (HEFC). The council is due to be established

divide. A former chairman of the Post Office and currently chairman of a northern develchairman of a northern devel-opment company, he has been chairman of the polytechnics' funding council since 1988, overseeing rapid expansion in student numbers in the sector. His appointment runs for two

years.

Also speaking at the CBI conference, Sir Ron high-lighted three tasks for the HKFC: merging the two component systems, sustaining growth and protecting quality.

Mr Clarke stressed the importance of polytechnics maintaining their vocational identity once they become universities. "In two years' time we are likely to have over 90 we are likely to have over 90 universities in Britain, compared with 54 today."

next year, provided legislation to merge the polytechnic and university sectors – currently before Parliament – passes. Sir Ron neatly straddles the industry/higher education

However, government fund-ing for capital growth is not planned to match the rise in Sir Ron, addressing a CBI conference on higher educa-tion, called for a relaxation of borrowing rules as one way to fund expansion. fund expansion.
Polytechnics have limited

Polytechnics have limited rights to borrow against exchequer-funded assets. "The whole of higher education would benefit by being treated as a business for the purposes of borrowing, and within a framework of prudential oversight by the Funding Council approved by the government, enabled to borrow to fund financially viable projects." he financially viable projects," he Sir Ron warned that without

Borrowing

be relaxed

rules should

HIGHER education institutions should be allowed to borrow more freely if they are to meet government plans for expansion in the 1990s, Sir Ron Dearing, chairman of the Polytechnics' and Universities Funding Council said yesterday writes Andrew Adonis.

The government is protect-

ing a 50 per cent rise in full-time student numbers over

the next decade, aiming to provide a higher education place for a third of 18 year olds by

the year 2000.

such relaxation, inadquate accommodation could become an "impassable barrier" to expansion.



In with the new: crew and family file aboard HMS Endurance and her successor, HMS Polar Circle.

THE ice-breaker HMS Endurance, the old-est ship in the Royal Navy and the symbol of the British presence around the Falk-lands Islands, was formally decommis-

In a ceremony at Portsmouth, south England, she lowered the White Ensign as the flag was raised on her successor, HMS Polar Circle. The 36-year-old ship's future is now uncertain and she may be sold for

scrap. The Polar Circle has been chartered from a Norwegian company for a trial period to carry out work in support of the British Antarctic Survey. She will leave for the Antarctic on December 5.

Labour plans sweeping reform of pensions

By Andrew Jack

THE LABOUR Party plans sweeping changes in pensions if it comes to power at the next election, including efforts to end sexual discrimination in payments and give greater sis to occupational over private schemes.

Speaking at the autumn conference of the National Association of Pensions Funds yes-terday, Mr Michael Meacher, spokesman on social security issues, said that Labour would follow the government's lead in delaying the introduction of limited price indexation which provides for an annual increase in future pension payments of up to 5 per cent – until the Barber judgment is clarifled next year by the European Court of Justice.

Clarification will determine

whether the court's ruling that men must receive the same pensions on the same basis as women is to be applied retro-spectively. If so, the costs to pension funds will be huge. Mr Meacher said Labour would also abolish the incen-tive of 2 per cent of national insurance contributions that is insurance contributions that is given to those who opt out of the state earnings related pen-sion scheme (Serps) and into personal pensions.

BRITAIN IN



Exports to Iraq breached warning list

More than 17,000 kilogrammes of sodium sulphide which could have been used in chemical weapons were exported to Iraq in 1989 despite being on an official warning list, according to government evidence to be published by the House of Commons trade and industry colect commissions. ndustry select committee.

The consignment was one of three batches of chemicals exported by UK companies which breached the so-called Australia group's list of sensitive chemicals prior to Iraq's invasion of Kuwait.

Wales to make smart cards

Maxcard of the US has awarded the first contract to manufacture 'smart cards' and the units in which they are inserted to Denis Ferranti Meters of Bangor, north Wales. Smart cards, which are no bigger than credit cards, con-

tain microchips that are said to be capable of holding 2,000 times as much information as existing cards. They could be used to store sets of maps, car instruction manuals or patients' detailed medical histories.

ScottishPower plan approved

Mr Ian Lang, secretary of state for scotland, has approved a plan for upgrading the inter-connecting power lines to the English border, clearing the way for the doubling of Scot-tish electricity exports to

England.
ScottishPower, the larger of the two privatised Scottish electricity companies, said it expects to complete the project by the autumn of 1993.

Nissan boosts training budget

The UK subsidiary of Nissan, the Japanese motor manufacturer, said it will spend 14 per cent of its total salary hill this year on training. An average employee will receive 8 "off the job" training days a year and 12 "on the job" days.

Although the figure takes account of days off work and hotel and travel expenses, it

hotel and travel expenses, it represents an extremely high proportion of expenditure. The opposition Labour Party is considering plans which would force all employers to spend 0.5 per cent of payroll costs on training.

Marchioness prosecution

Mr Ivor Glogg, who lost his wife Ruth Hadden in the Marchioness river boat disaster, has been given leave to bring a private prosecution for manslaughter against the owner and four senior managers of the dredger Bowbelle.

The Marchioness sank in less than two minutes with the loss of 51 lives on August 20 1989, when it collided with the Bowbelle on the Thames in central London.

Performance pay plan

Highlands and Islands Enter-prise, the government-funded development agency for north Scotland, has become the first Scotland, has become the first public sector organisation to unveil performance pay plans since the government launched its Citizen's Charter in July.

Employees will be eligible both for individually-based pay increases and rises based on the performance of the group in which they work. These will be on top of general increases for all employees.

British Library tries to expand

The new British Library, the 2450m development nearing completion on London's Euston Road, is asking the government for the return of 4.5 acres of land.

Three years ago the land ment, which planned to sell it for development to retrieve some of the spiralling cost of the Library.

Union opposes BAe break-up

The MSF general technical union has launched a campaign to stop British Aerospace being sold, split up, or merged, in particular with GEC.

The union, representing more than 10,000 workers in the group, said the continued independence of BAe was essential to avoid even greater job losses. Ten thousand job losses have been announced in the past 12 months.

Oxford science park proposal

Arlington Property Developments, the property arm of British Aerospace, has submitted a planning application to redevelop 80 acres of the Rover car works at Cowley in Oxford from 1993 as a science park.

Modest month for unit trusts

Unit trusts had a modest month in October, attracting net sales of £122.5m, down on the previous three months. But the net figure was positive for the 13th consecutive month, after a flurry of sales in mid-1990 following the invasion of Knwait.

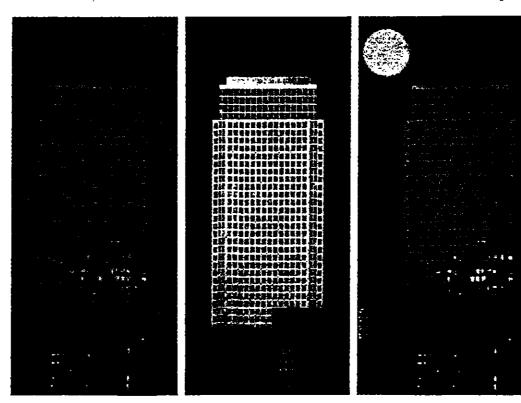
Gross sales were £877.7m and repurchases £755.2m. The total value of funds managed by the industry at the end of October was £58.5m.

Oil exploration at record levels

Up to 220 oil exploration and appraisal wells could be dril-led on the United Kingdom continental shelf in 1992, announced Mr Colin Moynihan, the energy minister. He said company responses to his department suggested that drilling programmes could continue at record levels.

Mr Meynihan said 156 exploration and appraisal wells were completed by the end of October this year, and the 1991 total was likely to be around 190 wells.

'The tower



With 25,000 tonnes of British structural steel on the inside, the Canary Wharf Tower is the tallest building in the UK.

With 850 tonnes of British stainless steel on the outside, it's also one of the most spectacular. As architect Cesar Pelli said in Today:

"Thanks to British Steel, we have a theatrical performance on the skyline every day." Weather permitting.



British Steel: British mettle

TECHNOLOGY

Struggling to get the sums right

rganisations risk losing millions of pounds through inaccuracies that creep into their spreadsheets, according to a study conducted by Coopers and Lybrand Deloitte, the accountancy and management consul tancy firm.

In an examination of 23 of its blue-chip clients with large spreadsheets (with more than 150 rows of data), the firm discovered that 21 produced errors that were wrong by more than 5 per cent. Spreadsheets,

described as electronic pieces of paper, provide a way to store and manipulate large quantities of figures on computer in a series of rows and columns. Most are bought as commercial packages from software companies.

The Coopers' survey, conducted by its decision system group, part of the management consultancy arm which specialises in spreadsheet work, highlighted a number of hor-

in one case, the net present value of a company under analysis was falsely inflated by 54 per cent. In another, pre-tax profits were incorrectly tallied at 32 per cent less than the actual figure.

"You don't get to hear about the biggest spreadsheet errors for obvious reasons," says Jonathon Batson, a member of the decisions systems group and author of a new booklet on

Spreadsheets are now heavily relied upon despite their relatively recent intro-duction, but few companies have any way of testing the accuracy of the results gener-ated, the firm argues. The rapidly generated answers are far too easily accepted.

Spreadsheet users should agree in advance of writing any models the specifications required; compile a written list of assumptions to be used: employ experiences programmers; and test and document their use carefully.

Andrew Jack

* J Batson and A Brown. Spreadsheet Modelling Best Practice. Institute of Chartered Accountants in England and Wales. £20. Tel: 0908 668833

n American doctor with "The Sperm with "The Sperm Firm" emblazoned on his T-shirt who offers prospective parents what he describes as "the ultimate consumer choice" - of their next child's sex - is soon to see his technique and in the HE has technique used in the UK. Dr Ron Ericsson has licensed his sperm separation technique to Dr Ravi Gupta, who will open a clinic in Walthamstow, North London, next month. Gupta will charge £350 for the service.

Ericsson and Gupta pose a problem for one person in par-ticular, Flora Goldhill, chief executive of the Human Fertilisation and Embryology Authority, which regulates the clinics that help childless couples have babies.

Goldhill is concerned that choosing a child's sex for social reasons is not good clinical practice. But if Ericsson offers a couple his technique of separating the partner's sperm into "boy-making" and "girl-mak-ing" parts, the HFEA can do nothing to stop him. The authority, which was set

up on August 1, only covers procedures which use embryos outside the body, or donated eggs or sperm. The Ericsson technique involves a similar method to donor insemination, where the sperm is placed in the woman's vaginal tract.
"The first problem is that it doesn't guarantee success," says Goldhill of the Ericsson

process - Ericsson claims a success rate of 70 per cent. Sec ond, if a clinic controlled by the HFEA wanted to offer the technique, Goldhill says, the regulators would have to be assured that it was for therapeutic reasons - usually to stop expression of a genetic disease. Haemophilia, for instance, is carried by both sexes but only affects males, so a couple carrying the disease

might wish to have only girls.
The method used by HFEA clinics to achieve this is to examine embryos by looking at the chromosomes of the cells. The embryo or embryos of the appropriate sex are then implanted in the womb.

The Ericsson technique is based on the theory, supported by several researchers, that "boy" sperm move faster than girl" sperm. Ericsson claims to be the first to have devised a method of separation.
For Goldhill, however, there are more immediate problems.

She is facing dissention from the doctors who work in embryo research over the requirements of the Human Fertilisation and Embryology Act, which was passed in November 1990 and which the Elisabeth Tacey considers the ethical questions raised by scientific research

The seeds of life



Flora Goldhill: concerned that choosing a child's sex for ocial reasons is not good clinical pr

HFEA is required to enforce. One especially thorny requirement of the act is that the names of egg and sperm donors have to be given to the HFEA. However, the Interim Licensing Authority (ILA), the voluntary body set up in 1985 as the fore-runner to the HFSA, had decided that donors could be anonymous.

The change in rules has meant that donors whose gametes (eggs or sperm) were in store on August 1 have had to be asked to sign a consent form. Initially it was proposed that clinics' sperm and pre-em-bryos (eggs have to be stored fertilised, as there is no method of keeping unfertilised ones) without the relevant con-sent be destroyed. This caused

uproar among doctors.
"They wanted me to throw away 3,000 pre-embryos [fertil-ised eggs]," says Peter Brins-den, director of Bourn Hall Clinic in Cambridge, whose

techniques produced Louise Brown, the first baby born fol-lowing in-vitro fertilisation,

lowing in-vitro rertilisation, and of the Hallam Medical Centre in London. "I said I would go to jail rather than destroy the eggs," he says.

The HFEA has now waived the requirement for pre-embryos and has granted a sixmonth transitional period from October 1 for sperm stocks to be used. Brinsden says that his clinics will use any remaining stocks for teaching: "We will try not to waste it."

But Brinsden is also angry

about the Act's ruling that he cannot speak directly to a patient's GP or gynaecologist, which he says is "dangerous" and "unworkable". All inforand unworkable. All infor-mation he wishes to pass on has to go in a letter via the patient, who can decide not to hand it over. "Should a woman have to go into hospital with a complication after treatment at the clinic, the hospital doctor

cannot ring me to talk about it," he says. "It's the most ridiculous

thing I've ever heard. It goes against everything we have ever done as doctors. Every-one's up in arms about it" an assertion backed by Dr Raget Boswamy of the Chur-chill Clinic in London, who argues that it should be sufficient to pass information to other doctors and be required

also to inform the patient. The root of the problems may be that the HFEA is having to learn from scratch the sensitive issues that the ILA had already learned. Dame Mary Donaldson, who chaired the ILA during its six years' existence, says she wishes the HFEA well but "I'm afraid it will become a bureaucratic

machine," she says.
Part of the job of the HFEA is to inspect centres before granting them a licence, and to re-inspect them yearly after that. The HFEA's code of prac-tice for clinics lays down rules for staff qualifications, the cen-tre's facilities, counselling that must be available, assessment of patients and welfare of the child, and how gametes and embryos must be handled. The main treatments available are: • In-vitro fertilisation (IVF), in which eggs and sperm are mixed in the laboratory to allow fertilisation. Up to three embryos are then transferred to the womb. Unused embryos are frozen for future use by the patient or can be donated to another couple, donated for research or thrown away, depending on couples' consent.

Gamete intro-fallopian transfer (Gift), in which the three "best" eggs and sperm are immediately placed together in the woman's fallo-pian tubes. The gametes are collected in the same way as for IVF.

• Donor insemination, in which the sperm is placed in a fertile woman's vaginal tract, or used with IVF or Gift. Donors are matched for resemblance to the social father such as hair and eye colour, build, ethnic origin and blood group. Up to 60 per cent of couples achieve pregnancy during treatment, which may involve

several inseminations. Centres also carry out embryo research which is per-mitted to improve the treatment of infertility, increase the knowledge of genetic diseases, develop ways of detecting genetically abnormal embryos, increase knowledge of causes of miscarriage or improve con-traception. No research embryo can be implanted, or kept longer than 14 days.

Video market reveals itself

THE sophisticated monitoring techniques available to televi sion broadcasters, to help them calculate which programmes are popular, could soon find their way into the

don, a company specialising in TV audience research, has come up with a technique to monitor the viewing of pre-recorded videotapes. AGB believes the information would be useful to potential advertisers, who could use videos as a further source of marketing to television. Three hundred million videos

Video Track codes or "fingerprints" a pre-recorded video during manufacture with an electronic signal. identifying the video by title, distributor and type of film. When the video is played

eter in the house. AGB polls a mainframe computer.

A pilot service based on

Foolproof guide

the lid of which poos open when the food is cooked, could help the most hesitan cook to produce a perfectly heated microwave meal.

The packaging could over-come the problem of what to do when the cooking Instructions on the food packet refer to ovens with a specific power of heating

The pack varies in design and thickness depending on the food inside, the time It takes to cook, the amount of steam it produces and so on. The lid is held in place by a strip of heat-shrink material astened across the top of

the package.
When the food heats in the microwave oven the interior of the package is at the tem-perature of the food, while the exterior is at a lower temperature. By the time the food is cooked, the outside of the package reaches a high the heat-shrink material thus causing the lid to pop

AGB International, of Lon-

are rented in the UK every year and a turther 50m are

in one of the 4,500 hou n one of the 4,500 nouse-holds monitored by AGB the signal is picked up by the all the meters overnight, compiling the viewing ligures on

15 pre-recorded videos is already under way.

to cooking

A CARDBOARD food carton,

terent from your own.

WORTH WATCHING

by Delia Bradshaw

Cambridge Consultants, of Cambridge, which designed the packaging, believes it could prove useful in the conrenience food market.

Glowing reports about champagne

A FILTRATION technique used in the French champagne and cheese industry is now being applied in the UK to clean up radioactive waste.

The ultra-filtration process from the French company Tech-Sep, will be used by British Nuclear Fuels at its Sellafield plant in Cumbria to help clean effluents before they are disposed of at sea. At the beginning of the clean-up process a precipite of iron hydroxide is added to the efficient. The radioactive elements in the liquid stick to the precipitate and

form a brown sludge. The combined sludge and liquid are then pumped through 770 parallel tubes, each just a few millimetres wide and each made of a porous material. The liquid passes through the walls of the pipes while the sludge down to sub-micron partiles — is swirled through the tubes until it is collected as a solid at the end of the pro-

Teamwork across the networks

THE latest alliance of computer industry superpowers, Digital Equipment and Micro-soft, is offering more than

Combining Digital's networking expertise with Micro-soft Windows, the companies have come up with a set of applications programs, includ-ing some of Microsoft's best rs, which enable per-

sonal computer users to work together in teams, over local or wide area networks. The "Teamlinks" package includes Microsoft Windows versions of Excel, Word and PowerPoint presentation graphics as well as DECurite and DECquery applications. Also included is electronic maîi a router program for network administration, distributed shared filling and conter-

The Teamlinks package is priced in the US at \$995 and will be available in March

Smokers keep to their patch

THOSE eager to give up smoking should soon have a new ald in the US, where a transdermal patch, which delivers a controlled amount of nicotine into the smoker's bloodstream, has been approved by the US Food &

Drug Administration. The Nicoderm patch, which will be manufactured by Aiza, of Palo Alto, California, and will be marketed by Marion Merrell Dow, of Kansas City, incorporates a rate-control-ling mechanism to allow enough nicotine into the bloodstream to curb the craving many smokers experience when trying to kick the habit.

Marion Merreil Dow aiready markets Nicorette, the nicotine polacrilex gum, in the US.

Christmas trees in snowstorm

WITH Christmas less than five weeks away a rival to the tra-ditional Christmas tree has appeared on the European market - an artificial Christ-mas tree which "snows". When the six-lest tall tree is plugged into the electricity a pump blows tiny weighted polystyrene balls up the hol-low "trunk" of the tree. The 'snow" hits a deflector at the top of the tree and the white specks filter down through the branches into a tray at the base. From there they are pumped back up the trunk. Import company Anbro, of Rugby, is selling the £89.99

Contacts: AGB: UK, 081 967 4724 Contacts: AGB: UK, 081 967 4724. Cambridge Consultants, UK, 0223 420024. BNIFL: UK, 09467 28333. Digntal Equipment: US, 508 887 5111 Microsoft: US, 208 882 8080. Lotus Development: US, 617 577 8500. Alza. US, 415 494 5042. Marton Merrell Dow: US, 818 996 4000. Anbro: 0455 550451.

tree throughout Europe.



Synthetics revolutionised the garment industry. Their introduction allowed fashion to become affordable. And the various mixtures of synthetic and traditional materials gave designers a wider scope of freedom.

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WE PUT FANTASY TO WORK

FT LAW REPORTS

Syndicates must allow re-insurer to inspect documents

IN RE A COMPANY, EX PARTE N.D. PRITCHARD Chancery Division: Mr Justice Hoffmann: October 9 1991

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A REINSURED will be restrained A REINSURED will be restrained from advertising the winding-up of a reinsurance company for failure to pay claims, if the company has substantial reason for disputing the claims in that the reinsured is not obliged to provide it with particulars of settlements under original policies, and refuses to let it exerting its contractual right to inspect cise its contractual right to inspect his books and papers before making payment.

Mr Justice Hoffmann so held when granting an expant application by a company for an injunction to restrain the advertisement of a winding up petition by members of three Lloyd's syndicates.

HIS LORDSHIP said that the peti-tioners in a winding-up were members of three Lloyd's syndicates who claimed the company owed them 559,911 on a treaty of reinsurance. The company claimed that presen-tation of the winding up petition was

an abuse of process because the indebtedness was disputed in good faith on substantial grounds.

The scheme of the reinsurance agreement was that prima facie the liability of the reinsurer arose on its being given notice of loss with "reasonable evidence of the amount

Actual liability depended on settle-ment by the reinsured being within

the conditions of both the original policies and the reinsurance treaties. That would be a matter entirely within the knowledge of the reinsured, and therefore the treaty provided that although the reinsured could not be required to provide for could not be required to provide fur-ther particulars of its claim, its books should "be open to the inspection of an authorised representative of the reinsurers at any reasonable time during the continuance of this reinsurance or any liability bereun-

Similarly, the notice of loss clause provided that all papers in connec-tion with a claim should be "at the disposal of the reinsurers on this insurance or parties designated by them for inspection".

The syndicate managers said the request for inspection was a device to postpone payment

The practice had been for the syndicate to submit quarterly state-ments of claims, which were treated as a running account.

In 1989 the company ceased under-writing and had since carried on business solely for the purpose of running off its existing and contin-

gent liabilities.

On August 24 1990 a run-off company, which acted as the company's agent for the purposes of the run-off, wrote to the syndicates' brokers and asked to exercise the right of inspec-

The syndicate managers wrote on September 25 saying that there were

claims unpaid and that no inspection would be allowed until payment had been received. The company was not willing to pay until it had been given

the opportunity to inspect.

Neither party budged from those positions during a somewhat leisurely continuation of the dispute

over the following year.

The petition based on the claims made was presented on August 2 On September 6 the company

applied to restrain advertisement and strike out the petition. The syndicates were unwilling to

continue their previous undertaking not to advertise beyond the end of October 9 and Mr Chivers for the company therefore applied ex parte for an injunction over the inter partes hearing of his application.

Mr Hoser for the syndicates opposed the injunction. He took the view that if he were unsuccessful he would have no further arguments to advance at the *inter partes* hearing as to why the petition should not be

struck out.

If he was successful, he intended

It was agreed that in order to restrain advertisement, the court must be satisfied on the evidence that it would appear on the hearing of the petition that the debt was disputed in good faith and on substantial grounds.

Mr Hoser said that the company

had put forward no grounds what-ever on which it could dispute the

He said all it could say was that it hoped some such grounds might emerge from its inspection Furthermore, he said, there was reason to suppose that the company was actuarially insolvent, if not actually unable to pay its debts as they fell due, and this cast doubt upon its bona fides.

The syndicate managers said the

request for inspection was merely a device to postpone the time at which payment would have to be made.

In the ordinary case, it was not enough for the company to say an investigation yet to be undertaken might produce some grounds on which the debt could be disputed. But the terms of the reinsurance treaty make this a far from ordinary

The reinsured could make a claim based on nothing but its own assertion that it had suffered a loss within the terms of the treaty. No more particulars need be given and

But for the protection of the reinsurer, it has a contractual right to inspect the syndicates' books and papers. It is only by exercising that right that the reinsurer could satisfy itself that the claim was properly

It does not seem that the syndi-cates were entitled to deny the right to inspect until all existing liabilities had been paid. The right to inspect only continued during the reinsur-ance period, and as long thereafter as liabilities remained outstanding. If the syndicates were right, payment of the last liability, which they

said was a precondition of the right to inspect, would be the event which brought it to an end. Mr Hoser did not submit that payment could be a precondition of the

right to inspe But he said that they were concur-

rent obligations and therefore, by the same token, the company had no right to refuse to make a payment prima facie due until it had exercised the right to inspect.

That might be true at the point when no request to inspect had been made and refused. But the situation was different if inspection had not been allowed. That was sufficient, given the particular terms of the reinsurance treaty, to raise the infer-

ence that there was a dispute on substantial grounds.

Just as refusal to pay an indisput-able debt gave rise to an inference that the company could not pay and was therefore insolvent, so it seemed that a refusal to allow an inspection to which the company was plainly

The reinsured could claim on nothing but its own assertion that it had suffered a loss

entitled gave rise to an inference that there were matters in the possession of the syndicates which would justify non-payment by the

company.

It would be unfair to allow the syndicates to enforce their claim by a winding-up petition when they had fatly refused to allow any inspection

If there was evidence that the proposed inspection was excessive in scope or otherwise in bad faith, the court would take a different view.

All that was said, however, was that it was an attempt to postpone payment because the company was

That does not cast doubt on the good faith of the exercise of the contractual right in August 1990. Even an insolvent company was entitled to exercise its contractual rights and to be treated fairly in accordance

with the terms of the treaty. No doubt if the syndicates had allowed an inspection in October 1990, the question of liability would long ago have been settled.

Mr Hoser said they were afraid

that the company would use the inspection to create a smoke screen to avoid payment, but that was something to which any debtor might resort and creditors had to rely on the court's ability to detect whether a bona fide dispute existed on substantial grounds. But the creditor was not entitled

in breach of contract to deny the debtor access to the only material which would show whether or not the debt was owing, and then claim he had no material on which to contradict the bare assertion that it was

due.
For the petitioners: Philip Hoser (Bray Walker).
For the company: David Chivers (Paisner & Co).

Rachel Davies Barrister

Correction

In Veracruz I (FT Law Report, November 19) appearances were: For the seller: Michael N Houard QC and Timothy Brenton (Ince & Co). For the buyer: Charles Macdonald (Constant & Constant).

1992 - The European Market

The FT proposes to publish this survey on December 18 1991.

predominant role of the EC will have the greatest impact on a company's business over the next few years. This was the view of 51% of top Chief Executives in Europe surveyed in 1990 who read the

If you want to reach important this audience, Elizabeth

Vaughan on 071 873 3472 or fax 071 873 3079

Data source: Chief Executives in Europe 1990.

FT SURVEYS

LEGAL NOTICES

No. 0013948 of 1901 BK THE HIGH COUNT OF JUSTICE Bawtry Timber Company Limited NOTICE IS HEREBY GIVEN, pursuent to Section 43 (2) of the insolvency Act 1998, that a meeting of the unsecured creditors of the above-named company will be held at I East Parade, Sheffield, S1 2ET on 28 November 1991 at 12.00 noon for the purpose of having held before it a copy of the report propared by the administrative receivers under Section 48 of the said Act. The meeting may, it is thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. CHANCERY DIVISION
COMPANIES COURT
In the mater of HAMILTON RENTALS (SIC)

LIMITED

NOTICE IS HEREBY GIVEN that a Petition was on 13th November 1991 presented to her Majesty's High Court of Justice to the confirmation of the reduction of cupital of the above-named Compleny from 25,400,000 to 12,435,000.

AND NOTICE IS PURITHER GIVEN that the sald Petition is directed to be heard before the Honourable Mr. Justice Hoffmann at the Royal Courts of Justice Strand London WCSA 2LL on Monday the 2nd day of December 1991.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order fot the continuation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be turnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same. DATED this 19th day of November 1961. ROITER ZUCKER Regent House.

N THE HIGH COURT OF JUSTICE

IN THE MATTER OF

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MANAGEMENT

"THE FISHING boat is taking water - we're sinking. You must abandon ship. Take off all your clothes apart from your pants, keep on your trainers and your personal buoy-ancy aids. Put all your clothes into a plastic bag and line up to swim to shore with your bag. Non-swimmers go nearest

the stern." Cursing, the bewildered group of senior managers on the adventure training course in the far northwest of Scotland scrambled to comply About 75 yards away they could see the beavy swell breaking into surf on the steep rocky promontory.

In minutes the men were lining up to plunge into the sea. "Go, go, go," shouted the instructors as the boat started accelerating away from the island. Like lemmings they jumped off the boat. Suddenly there were 20 managers and four instructors swimming for shore, clinging to their little

hags.
The surf whipped them on to the beach but then pulled them off again. Eventually a bridge head was formed as men hauled themselves up the rocky beach, helping others out of the water and hunting for their bags. Some men had blood streaming from grazes on the barnacled rocks. One man was grey with shock. Two others who never made it to the beach were hauled back on to the boat. The rest donned their wet clothes and tramped off through the heather.

This was the ultimate test of the course run last month at Ardmore in Sutherland by John Ridgway, famous for rowing the Atlantic, sailing twice round the world and canoeing down the Amazon. The men were second line managers from RFS, a rallway equipment company based in Doncaster, South Yorkshire.

Afterwards, back at the bunkhouse – which they reached after assembling rafts from plastic barrels and pad-dling to the mainland - most

of the men were elated.
"I'd never felt more frightened in my life," says Kelvin
Roberts, sales and commercial manager. "But I did it."

Later, at the debriefing, Ridgway, a tall man with a mischievous smile, - underlined the basic lesson of the day's exercise: "There's more in you then you think"

in you than you think."
With my layers of sailing jacket and Barbour buttoned up I had come to watch the last 36 hours of the week's course, to see how desk-bound managers coped with commando

James Buxton joins a team of plucky managers as they test their endurance to the very limit

Ain't no river deep enough



You must abandon ship. Take off all your clothes except your pants.

What has all this got to do with running a business?"
Steve Hinton, chief executive of RFS who led a management buy-out of what was then British Rail's Doncaster wagon works, says his main objective in sending senior staff to Ridg-way was "to encourage team spirit and to improve commu-

nication across the group".

RFS, with 900 employees and turnover last year of £34m, designs, refurbishes and builds railway equipment. But Hinton admits: "We'd thought that in the enthusiasm you get in an MBO company, communications didn't matter all that much. In fact, we'd set up a group structure that encour aged the three subsidiaries to focus on their own business streams." The RFS men at Ard-more said that often they did not know people in other subsidiaries.

Hinton was persuaded by Clive Jelley, group human resources executive, who had been to Ardmore before, that

pushing people from different units together in stressful con-ditions would break down barriers and forge friendships, as well as firing the men with

new enthusiasm and testing their leadership skills. At the beginning of the week the men were tense and irrita-Suddenly there were 20 managers

swimming for shore, clinging to their little bags. ble as they headed north from Inverness airport in a coach.

But they were expecting to have a leisurely briefing and a comfortable first night when they arrived at Ardmore.
Instead, says Dave Elliott. quality control manager, "the bus stopped in the middle of nowhere and Ridgway came on

board. 'Now listen carefully,'

he said coldly. 'You have 15 minutes to put in your ruck-sacks everything you will need for two days' and two nights' survival in the hills'."

Ridgway describes the ensu-ing panic as "a lot of headless chickens running about". Next, the men, divided at random into teams, set off in the rain through the peat bogs. They had to cance to an island, erect some tents in the dark and pre pare a meal from dehydrated

Next day the men, some in their 20s but ranging up to 51, had to climb the great mountain Arkle, light a fire and brew tea on the top. That night was spent in a hut. On the third day after a lengthy walk with the canoes over the hills. Ardmore came into sight, a cluster of buildings on a green hillside above a bay. "It seemed like the Hilton," one RFS man recalls.

Ridgway says: "The idea of the first two days is to give them a short sharp shock. First

they are completely disori-ented. Then gradually you put them back together again." He has applied this process, based partly on his training in the Parachute Regiment and SAS and partly on his own experiences, for the past 23 years to clients ranging from IBM to the graphics department of BBC Television.

By now the experience of coping with one horrific test after another has broken down the barriers between the men. "You begin to help each other and appreciate each other's and appreciate each other's strengths and weaknesses," says Elliott. Personality clashes get sorted out, Hinton says, "in heart-to-hearts on the mountainside."

Ridgway, who keeps an eye on all the activities "to spot the changing mood," tackles any misfits with his own

From the beginning, every individual is given the task of leading a group, whose members are rotated according to an apparently random but actually computerised pattern. At the end of each task Ridgway points out its lessons at a debriefing. His recurrent theme is positive thinking: "A glass is usually either half-full or half-empty. Always think it is half-full."

Once relations within the group are more relaxed, the RFS men now intersperse their daily activities - such as abselling or shinning up the mast of Ridgway's round-the-world yacht – with discussions on the business back in Doncaster, led by Jelley. There is earnest talk on possible structures for improving intragroup communications.

By the end, the RFS colleagues seem amazed at the strength of relationships that have emerged with colleagues they hardly knew before — "we're so much nicer to each other now" - at physical achievements they did not believe themselves capable of, and at unsuspected powers of leadership some have discovered in themselves. "It was far more useful than many a formal management course I've been on," said one.

As the course comes to an end, no one seems to think it wasn't worth it. But will the effect last? Hinton, who led the first party of top executives to Ardmore in the spring and went on the first few days of the second, believes it does. "Everyone who went on that first course came back better and stronger and has per-formed better," he says. Jelley says: "The bonds formed at Ardmore remain.

How to make it in Japan

Michael Skapinker talks to a man who has

when arguing that it is too late to stop the Japanese taking

over the world.
It shows the world's top 10 manufacturers of the machines used for making semiconduc-tors. No industry is more important than this one, the pessimists insist. The compa-nies that make the machines control the companies that make the chips. And whoever controls those companies has their hands around the throats of the people who make everything from computers to "smart bombs".

The chart shows that in 1980 nine of the top 10 companies producing machines to make semiconductors were American, with a lone Japanese man-ufacturer in tenth place. The 1990 chart has Japanese com-panies in first, second, fourth, fifth and sixth places. Only one US company remains in the top five: Applied Materials was in third place in 1990, just as it was in 1980.

James Morgan, Applied Materials' chairman, says his organisation survived the onslaught by fighting the Japanese on their own territory. nese on their own territory.
One third of Applied Materials'
1990 net sales of \$567m (£320m)
came from Japan. In 1983
Applied Materials became the
first foreign company ever to
receive a loan from the Japan
Development Bank. It used the money to build a research and development centre at Narita, near the Tokyo airport.

Morgan argues that no com-pany can be internationally competitive unless it does business in Japan. First, Japan is a huge market. But a second and more

important reason to do busi-ness in Japan, he says, is the improvement it brings to your business in the rest of the world. In manufacturing quality and customer service, Japan sets the standard. Western companies are not only competing against organisa-tions from Japan in their home market, but against western companies which have established a business in Japan and

here is a chart that western doom mer-chants like to flourish western competitors complain western competitors complain that the Japanese market is closed to them. It is an argument with which Morgan has little patience. He is quite ready to agree that Japan adopts tactics the west regards

Although most of the formal barriers to entering the Japa-nese market are gone, Morgan cites the lack of protection for intellectual property as just one example of difficulties western companies still experi-

ence in Japan. However, he argues that the Japanese are not the only peo-



ple who make it hard for foreigners to compete in their market. France, for example, is not an easy market to pene-

trate either, Morgan says. He says that the most "unfair" weapon the Japanese use is their total concentration on the needs of their customers. At his London hotel, on ers. At his condon notes, on the morning of this interview, Morgan had gone down to reception to ask for a newspa-per. "The desk clerk was friendly, but he said I should have ordered the paper the night before. In Japan he would have gone around the corner and bought the paper

for me."
While Japan is a difficult market in which to succeed, it is not impossible, as the experi-ence of Applied Materials dem-

onstrates. Together with his

son Jeffrey Morgan, president of a software company, Morgan has written a book containing the advice he wishes he had had before he entered the Japanese market.

The first thing a chief executive should do is read as much about the country and talk to as many people as possible. It important not to commit is important flot to commit yourself to a Japanese partner until you know what you are doing. Morgan says. Once links are established, you will be expected to keep them. Chop-ping and changing is not admired in Japan. Morgan

ys. Morgan recommends that novices begin reading one of the English-language Japanese publications like the Nikkei Weekly. He also suggests makweekly. he also stages to mar-ing Japanese contacts in your home town — with people who work for the local branch of a Japanese bank, for example.

The next thing to do is to start visiting Japan. The most senior people in the company should make these visits and the initial aim should be to

learn and make contacts.
It is vital, Morgan says, that senior management does not delegate these initial tasks.
"Whoever makes the strategic decisions has to participate in the process. They have to do the reading and the travelling themselves if they're to under stand the decisions that need to be made," Morgan says. Always be on the look-out for a Japanese mentor - a con-sultant, retired executive, or a

friend of a friend. "When they do business in Japan, people tend to hand over to a joint venture partner or distributor. You need to be there as well. You need to have your people in Japan managing your side of the process," Mor

gan says. You also need to ensure that you have a senior person at head office keeping contact with the Japanese operation. Morgan regards his failure to appoint such a person during Applied Materials' early days Japan as his biggest mistake.

*Cracking the Japanese Mar-ket, Maxwell Macmillan, £18.95.

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Portrait power

Susan Moore reviews the exhibition at the National Portrait gallery

traight ahead hangs the mag-nificent Madame Suggia with cello, bow and cascading burgundy gown in what is Augustus John's masterpiece. To the right, the ladies Stanhope and Effingham, who Francis Cotes graces with com-plexions of milk and roses, play act Diana and her Companion against a stage set English park. To the left stroll Gainsborough's newlyweds in "The Morning Walk", a gossamer web of gauzy lace, frothing fur, feathers, foliage and powdered hair.

That is our first, mouthwatering

taste of the National Portrait Gallery's The Portrait in British Art. an exhibition which brings together a selection of portraits acquired by British public collections with the aid of the National Art Collections Fund since the charity's foundation in 1903. Further on, we find Gainsborough's "Mr and Mrs Robert Andrews", Hogarth's enchanting "The Graham Children", Arthur Devis's "Duet" — and we begin to realise that these much-loved images have helped shape the national consciousness of what is

Portraiture is the quintessential penre of British painting. Its pre-emi-nence is due in part to a native dis-taste for religious painting — which smarked of Papism — and, equally potent, a peculiarly Anglo-Saxon form of ancestor worship. Such was the cult of the family even in the 17th century that portraits were commisstoned of ancestors stretching back to the Norman Conquest. If one did not know who one's ancestors were, then one simply made them up. James I, faced with the vast array of portraits of the antiquarian Lord Lumley's famAs this show ably demonstrates, the voracious British appetite for likenesses could not be quenched by Brit-ish painters. The lack of native talent brought a stream of foreigners to London to try their luck. More often than not they were second or third rate. with the glorious exceptions of Rubens and Van Dyck (represented by the melancholic Lord George Stuart). Even after the establishment of a

British school of painting in the 18th century, there was scope enough for the cosmopolitan polish of Zoffany or Soldi. Unsurprisingly, all the portrait busts on display are by sculptors from France and the Low Countries -Francois Dieussart, Roubiliac, Rysbrack, No<u>llekens</u>.

The Englishman and Scot's love of himself, his house, his hound, his park – but surprisingly not his horse – is documented by all. Arthur Capel and his family are set against a bird'seye-view of their meticulously rendered formal garden in the 1640s; 100 years later, Sir Roger and Lady Brad-shaigh preside over their recently improved house and pleasure

Particularly revealing is Ben Marshall's 1822 portrait of the 70-year-old Thomas Gibbs "Glory" Hilton, so named for his devotion to a favourite hound, Glory, who trots past with a fox's head. It is difficult to tell who is the more important. Even the fastidi-ous Charles Towneley in his London study, surrounded, courtesy of Zof-fany, by fellow connoisseurs and the best of the Towneley Marbles, sits with his dog Kam at his feet.

Appropriately, Zoffany's picture hangs permanently in the former Towneley family seat, now the art gallery in Burnley. One of the pleasures



Detail from 'The Reverend D'Ewes Coke with his wife and cousin' by Joseph Wright of Derby

of this show is that it presents paintings rarely or never seen by a London audience. From Manchester comes a fascinating heraldic portrait by the Chester artist John Souch, dated 1635, of Sir Thomas Aston at the deathbed of his wife. The marmoreal Lady Aston lies on her bed as if carved on her tombstone, and in the foreground, dressed in mourning, he laments her death and that of her new-born child. delectable portraits, again by a pro-

vincial – but supremely accom-plished – painter. Wright of Derby groups The Revd d'Ewes Coke with his wife and David Parker Coke all comparing one of Mrs d'Ewes Coke's landscape drawings with the real view beyond. It is a masterly evoca-tion of 18th century sensibility and familial affection. Characterisation is so fresh and vivid, and the Cokes so agreeable and natural in this clever composition, that they could almost

ritual; it has no problem bridg-

ing the gap between the every-day intimacles of court life and

the formal exclamations that fall to the lot of the chorus.

Having been taken by mar-

riage from her own defeated country, Medea is jettisoned by

a husband who is patronisingly

happy to keep her children on as part of his new family. She

has been treated well, he reasons. What grounds can she

have for complaint?
Ray Jewers' Jason is not so

much cruel as complacent. His selfish desire for the security and prosperity that would

come from a royal marriage makes Medea invisible to him.

John Southworth's Creon too

has the weary reasonableness

of the old-fashioned white lib-

eral. The fury of a woman scorned merges with the rage

Benedict's regal, racked Medea, whose self-annihilating

revenge is simply beyond their

imaginations. In her slender

Thematically, the production uses cultural diversity to suggest the monumental clash of values that makes the tragedy live on for a modern audience.

The finest self-portrait here dates to the turn of the century: Gwen John's defiant and infinitely subtle study of defiant and infinitely subtle study of around 1900, which was acquired by the NACF and presented to the National Portrait Gallery in 1965. Por-trait, like exhibition, is as much a celebration of British character as of the achievements of the National Art

The exhibition, sponsored by Enter-prise Oil, continues until February 9.

The fringe and provinces take a fresh look at classic theatre

There is simply no thrill in theatre-going like discovering in the theatre a classic you had never even known about, and this is why some of us say that the Gate, Notting Hill, is our favourite London theatre.

Damned for Despair (El Con-denado por Desconfiado) is by the author of The Last Days of Don Juan (El Burlador de Sevilla), Tirso de Molina. London is lucky this year in that both of these. Tirso's best-known plays, are currently running here. If, like me, you knew neither previously, you discover from these two plays alone that he is one of the world's greatest dramatists. And one play casts fascinating light on the other. All those interested in Tirso's Don Juan should investigate Damned for Despair, where vice and damnation are treated in no less bold and entertaining ways. This play places a pair of

mortal men in a pair of moral scales. One man falls to doom,

QUEEN ELIZABETH HALL

While the tidal wave from

Nikolaus Harnoncourt's titanic

the God-fearing hermit, is deluded into believing that God has paired him with one Enrico. When he discovers that Enrico takes pride in wanton murder, rape and theft, Paulo is so horrified that he too turns to crime and cruelty. Such is his despair that he cannot believe Enrico's soul can ever be saved. But chinks in Enrico's heart lead him to repent at the last and to meet death with hope - whereas Paulo is so convinced of Enrico's damnation that he accepts his own.

Stephen Daldry's direction is wonderfully intense, and yet keeps varying the play's pressure. Timothy Walker, dar-ingly, plays Paulo with no bid for sympathy, starting and ending as a fanatic. A pity that towards the close he grows too exaggerated and mannered. Lorcan Cranitch takes a similarly full-throttle approach with Enrico, but provides more light and shade along the way.

tion's excellence that Bob Barrett makes a more complex and subtle impression in a small role here than he did in the leading role of the Gate's last staging. Good playing else-where, too, especially from Mark Spraston as Paulo's servant Pedrisco. Tim Hatley's designs are ingenious. His cos-tumes add lively modern twists to Renaissance-baroque attire: and his set, a huge revolving half-cylinder with windows and doors, ranks among the several brilliant ways in which the Gate has made its tiny stage space into a globe of sur-

Alastair Macaulay

The reassessment of Greek tragedy from a woman's per-spective has long been a staple of the Euro-fringe. At a small international festival in Austria a few years back, every two-bit bandbox concealed an Attic murderess. A couple of analysis a stage further by steering the tragedy right away from its European roots. In both cases the directors are women, and in both the adaptors are men. After Steve Carter's exuber-

pedes' Medea have taken the

ant and sexy Caribbean reworking, *Pecong*, directed by Paulette Randall at Kilburn's Tricycle Theatre, here from Phyllida Lloyd at Manchester's Royal Exchange is a Medeo Royal Exchange is a Medea that offsets an elegant but unexotic script (Kenneth McLeish and Frederic Raphael) with a thrilling choral score from Gary Yershon of pounding drums and wailing women.

Medea is black; Jason and Creon are white; but it is the mixed chorus that is the production's most interesting fea-

duction's most interesting fea-ture. Robed and veiled like the inhabitants of a harem, they sit whispering around the edge of the circular stage or launch into ritualistic stomping chants. African theatre shares

> form lies the tragic backlash of the colonised against the colon-Claire Armitstead

A Midsummer Night's Dream, staged at the Lilian Baylis Theatre by The Magnifi-cent Theatre Company, will beguile a long winter evening but will leave one wanting something more substantial This production puts activity ahead of energy, and has yet to find an amplitude in Shake-speare to balance its forays into sexual desire and role-

play. The play opens in high excitement; the actors swarm on stage to the pounding of Richard Fairman drums, and the argument

about Hermia's future seethes with serious intent. But the action loses its way and its momentum out in the wood near Athens. There are two reasons for this: first, the production does not trust Shake-speare's plot to drive the situation forward; and second, the verse-speaking is too superfi-cial and fails to find moments

of calm in a reeling world. A tree wrapped with a helter-skelter and daubed with flags stands at the centre of an expansive set. But the actors cluster round it, rarely using the full sweep of the stage. Their scope is further limited by lighting which cuts the visi-ble playing area. The Common-wealth period costumes call up the time when theatre was restricted, but that seems to be the only nourishment that Mark Brewer's direction takes from the past.

Titania-Hippolyta (Tessa Wojtczak) is a petulant and sexy presence, a study in erotic reverie. Her brawling partner, Oberon-Theseus (played by the excellent Paul Spence) is a powerful opponent and a coolly ironic master of ceremonies. He is aided by a hyperactive Puck, played by the versatile Daniel Illsley, in goatskin chaps and codpiece. Together with Ben Crocker's aptly confused Bottom, these actors keep the play afloat. A digni-fied Peter Quince (Tony Lound) rounds up the rude

mechanicals. The two pairs of lovers contrive themselves into a mobile disagreement, and their quarrelling is visually very funny. However, a breathy Hermia (Lucie Fitchett) turns out too much like Bo-Peep in pink, and a shrill Helena (Harriet Whitbread) shrieks her way out of

Andrew St George | Balanchine's 'Agon'

Symphony in C

Balanchine's Symphony in C is a ballet radiant with light. When it was first staged, in 1947 at the Paris Opera, it was named Le Palais de cristal, and its rainbow designs told something of how Balanchine's genius refracted Bizet's youthful symphony into a dazzle of steps and luminous, heart-lifting invention. Now it has entered the Royal Ballet reper-tory, and it ends a new quadruple bill in glory.

If the glory was a little muted at Wednesday night's first performance, we may attribute that to the company's flag day tendencies. The dancers give the impression that they have to sell the movement with a battery of personal grace-notes and oh-so-ingratiating mannerisms, from sylphide arms to relentless smiles. None of this is needed, and experi-ence of the text will allow them to rely upon the score and upon Balanchine's mira-cles in giving it flesh. A little more speed – tempi were too relaxed – and simplicity of means, and the choreography will look absolutely the marvel that it is.
It is a wonderful acquisition

already, and among the solo-ists. Lesley Collier was happy with the allegro writing in the first movement; Sylvie Guillem had the unshakeable balances needed for the adagio, though she should not force the outlines of the dance; Fiona Chadwick is happily returned to the stage in the third movement, and Deborah Bull and, especially, Stuart Cassidy had the ebullience needed for the final

allegro.

There was also Balanchine to open the evening, but if Agon is not taut, it loses all its motor impulse. Some of the cast looked bemused - the first trio was a non-starter -but the true Agon style was grandly present in the pas de deux. Here Eddie J Shellman appeared as a guest from the Dance Theatre of Harlem (who dance the ballet very well) to partner Darcey Bussell. This was excellent casting. Shellman's secure, bold presence was a perfect foil for Miss Bus-sell's clear, spacious dancing. She has that rare gift of always finding time - when time does not apparently exist - to finish a phrase, a step, without fuss or fever. This intense musicality, and her exquisite

physique, are perfectly shown off by Shellman's dignity and no less truthful musical sense. In the centre of the evening.

two new pieces. Jonathan Burrows has developed part of his Stoics, greatly admired on this page, as a capriccio for the Opera House. Craig Givens has made a brilliantly economical set of black gauzes to box in the dance area. Luke Heydon, Natalie McCann, Deborah Jones and Simon Rice are outfitted in tops and trousers; and one of Mendelssohn's Songs without words brings a wild choreographic encounter to an end. Before that moment, the dancers have flailed, run, beaten their breasts, piled themselves up, kicked and stamped, while Miss McCann has behaved with exemplary sang-froid when being hauled and slung like a side of beef.

It is crazy, deeply funny, and sometimes asquietingly sad. Jonathan Burrows' choreographic world is one of hurts bravely borne, pain laughed off, laughter near to tears, and he has found a language part gestural, part demotic, wholly original - to tell us of the stoicism he sees. It is mysterious, uneasy, and fascinating. The cast are superb.

About William Tuckett's Present Histories, receiving its it is set to two slow movements from Schubert's D flat minor piano sonsta – music alien to dance, I would hazard - and is concerned with three couples (and a housemaid, the only woman in point shoes) whose private worlds are exposed in singularly unconvincing fashion. There is little dramatic or emotional tension, and motivation and character seem commonplace. There is a good set - a skeletal wall; vast draperies - by Andy Klunder, and dull, vaguely '30s costumes, worn with aplomb by a gifted cast. In earlier ballets - Those Unheard; Game - Mr Tuckett has made intriguing works of atmosphere. I suspect that the virtue of Present Histories. virtues of Present Histories, which have to do with the choreography's response to nuances of human behaviour, would be better seen in more intimate surroundings. The conversational tone of the

Clement Crisp



Darcey Bussell and Eddie J Shellman in

the sum total of this 18th-century programme was modest, but Harnoncourt invariably has big things to say even

performance of Beethoven's Ninth Symphony earlier in the year continues to cause ripples of admiration, there is a ready audience for any appearance by the conductor. In theory, about small works.

For Tuesday's concert he was joined by the Concentus Musicus of Vienna, the trusty original-instrument band with which he set out on the long iourney to record the complete Bach cantatas. By now its

members must know Harnon-court's individual style pretty intimately. In Mozart and Haydn, the two composers in this programme, that means performances of scalding attack and drive. as though each musician is playing with

Concentus Musicus Wien

a fire in his belly.

Dynamism is the essential feature. In each of the sympho-nies - Mozart No.33 and Haydn No.60, "Il distratto" the minuets went at a typically vigorous pace, all stamping et and whirling skirts, a long way from the usual picture of classical gentility. A tendency to slow down abruptly at the return of the main theme each

time caught the conductor at his most heavy-handed. But the performances of both symphonies were so full of life and perceptive musicianship that one felt bound to take the whole package as Harnoncourt

When a vocal soloist is called for, it would hardly do to pair this conductor with a merely pretty "original instrument" voice. Eva Mei is somewhat more than that, for her soprano has a firmness about it which makes up for any want of colour. It is the top of the voice, though, that makes her a singer to be

In the scheduled items on the programme, a pair of shortish miscellaneous arias by Mozart and an even slighter one by Haydn, she sang nicely enough but gestured to excess. Once into her encore, Mozart's "No, che non sei capace" K.419, no gestures were needed, for a real singer suddenly stepped forward, running up and down her scales to top C's and D's with an agility that promises a Queen of Night or Constanze. She provided all the notes and Harnoncourt, inevitably, the

INTERNATIONAL

& EXHIBITIONS

The opera season at La Scala, Milan, opens on December 7 with Parsifal. It marks a further step into Wagnerian territory for Riccardo Muti, whose initial encounter with Wagner opera Der filegende Holländer three years ago — was enthusiastically received. Parsifal will be staged Daniele Lievi, Peter Laher and Ettora D'Ettorre. There will be a total of nine performances (till Dec 29), with the title role sung by Placido Domingo at the premiere, and by Gary Lakes and Warren Elisworth in some of the

later performances The season also includes Auber's Fra Diavolo with a cast including Luciana Serra (Jan 15); the Bavarian State Opera production of Arabella, with Felicity Lott and Nancy Gustafson sharing the title role (Feb 1); Jonathan Miller's production of Manori Lescaut (Feb 25); La traviata, La donna del lago and Gluck's iphigenie en Tauride, all conducted by Muti; plus two Donizetti operas, Lucia di

Lammermoor and Cristoforo Colombo. Next June, Myung-Whun Chung with bring the Peris Bestille production of Lady Macheth of Meaner

Most of the other main Italian

theatres are due to re-open in the next three weeks. The Sologi season begins tomorrow with Werther, conducted by Riccardo Chailty, staged by Hugo de Ana, with Gluseppe Sabbatini in the title role (ten performances till Dec 15). The season also includes Tancredi (Jan 10), Roberto Devereux (Feb 16) and Zando Francesca da Rimini (March 21). In Venice, the Teatro La Fenica has chosen Don Carlo as its curtain-raiser, with a cast led by Samuel Ramey and Daniela Dessi (Dec 15). Among the works featured later in the season are Rigoletto (Jan 17), Porgy and Bees with a cast including Willard White and Cynthia Haymon (Feb 21),

und Isolde. Next Tuesday, Genoa hosts its second production in the newly-reconstructed Teatro Carlo Felice. Un ballo in maschera will be conducted by Fablo Luisi, with a cast headed by Maria Guleghina, Kaludi Kaludov and Giorgio Zancanaro (eight performances till Dec 11). This is followed by Simon Boccanegra with Renato Bruson, Mirella Freni and Nicolai Ghlaurov (Jan 16), Il barbiere di Siviglia (March 7), Carmen, Doo

The Turn of the Screw and Tristan

Corinthe. EXHIBITIONS GUIDE

Carlo and Rossini's Le siège de

Nationalgalerie Otto Dix: a major

retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. The exhibition brings together more than 350 paintings from public and private collections around the world. Ends

Feb 4. Closed Mon and Tues Frauen Museum Role models of the Nazi era: an exhibition focusing on how artists followed National Socialist ideology in their portrayal of men and women, and contrasting this with the standpoint of the German avant-garde before the Third Reich, Ends Jan 12. Closed Mon

BORDEAUX Musée des Beaux-Arts Trophies of the Hunt more than 50 paintings from the 17th to the 19th centuries, litustrating how the hunt was used as a decorative and allegorical subject by artists of the great European schools. Ends Jan 21.

BRUSSELS Palais des Beaux Arts Portugal: Triumph of the Baroque, Paintings, sculpture, jewellery and religious art from Portugal's heritage. Ends Dec 29. Closed Mon, late closing

CHICAGO Art Institute Martin Puryear: 50 works by the American sculptor, who combines modern and non-Western traditions, Ends Jan 5. Also Grave Goods from Ancient Cultures: 40 objects illustrating burial customs of ancient civilisations. Ends Feb 25. Also From Pontormo to Seurat: 61 recently acquired master drawings by Galnsborough, Delacroix.

Monet and others. Ends Jan 5. Daily COLOGNE

Museum Ludwig Liubov Popova: 122 paintings and works on paper by a leading figure of the early 20th century Russian avant-garde. Ends Dec 15. Closed Mon GENEVA Musée d'art et d'histoire

Magnificent Switzerland: 80 views in oil and watercolour by major European artists of the 18th and 19th centuries, including Turner, Corot, Bierstadt and John Singer Sargent. Ends April 2. Closed Mon GENOA

Palazzo S. Giorgio Silk in Genoa 1491-1991; an exhibition showing the importance of the silk industry to Liguria over the past 500 years, with 100 of the finest precious items on display. Ends Dec 31 LONDON

Tate Gallery Giorgio Morandi (1890-1964): 48 etchings provide the chance to see a neglected aspect of the work of one of the great figures in modern Italian art. Ends Feb 9. Also Gerhard Richter (51932): first major survey In Britain of one of Germany's most eminent living painters. Ends Jan 12. Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of Europe. Ends Jan 26. Daily Royal Academy Katsushika Hokusai (1760-1849): the most celebrated Japanese artist in the West. The exhibition includes sketches, paintings and 150 printed works from public and private collections throughout the world. Ends Feb 9, Daily Barbican Japan and Britain: an aesthetic dialogue 1850-1930, with works by Whistler, Mackintosh

and others who contributed to the exchange of influences. Ends Jan 12. Daily Hayward Gallery Toulouse-Lautrec: the most comprehensive exhibition of his work ever held in UK. Ends Jan

19. Daily Mational Gallery The Queen's Pictures. Ends Jan 19. Daily Serpentine Gallery Ulrich Ruckriem: first London exhibition of Germany's leading sculptor. Ends Dec 1. Daily Victoria and Albert Museum The Magi and The Gift the story behind the tradition of Christmas gifts, told through French Renaissance stained glass windows, Italian majolica, illuminated manuscripts, woodcuts and etchings by Durer and Rembrandt, Ends Jan 12, Also Visions of Japan, centrepiece of the Japan Festival. Ends Jan 26.

MADRID

Museo del Prado Jusepe de Ribera: retrospective, drawn from the Prado's own collection, of the 17th century painter whose Spanish realism was softened by contact with the Carracci, Velazquez and the Venetians. Ends Dec 29. Closed Mon NEW YORK

Whitney Museum of American Art Alexander Calder (1898-1976): more than 50 works by one of the most innovative and best loved of American sculptors, known for his mechanical ingenuity, practicality and humour. Ends Feb 2. Also Alexis Smith (b1949): a mid-career survey of the Californian artist who has re-invigorated American collage in the past 20 years. Ends March

1. Closed Mon Metropolitan Museum of Art Stuart Davis (1894-1964): the first retrospective of the American modernist for more than 25 years, with 175 paintings, murals and etchings. Ends Feb 16. Also a major Seurat exhibition and

another devoted to his neo-impressionist followers. Ends Jan 12. Closed Mon Jewish Museum From Expressionism to the Resistance: Art in Germany 1909-1936, tracing the development of Expressionism and the reaction to it in the Neue Sachlichkeit. Ends Jan 25

PARIS Galerie d'Art St Honoré Flemish landscapes of the 16th and 17th centuries. Ends Dec 20. Closed Sat and Sun (267 rue St Honoré) Grand Palais From Watteau to David: 70 works from the school of 18th century painting, in which mythological themes offer a pretext for glorifying feminine nudity. Ends Jan 6. Closed Tues, late closing Wed Grand Palais Géricauit:

retrospective marking the 200th anniversary of artist's birth. Ends Jan 6. Closed Tues, late closing

Grand Palais A Golden Age of Decorative Art: 350 works dating from 1814-1848. Ends Dec 30. Closed Tues, late closing Wed Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves, focusing on his early years. Ends Jan 20. Closed Tues Musée d'Orsay Munch and France: the interaction between Munch and French art resulting from his visits to Paris between 1885 and 1908. Ends Jan 5. Closed Mon,

late closing Thurs ROME Villa Medici Matisse: Themes and Variations. Nearly 100 works from the Henri Matisse Museum in Nice, showing how Matisse explored his favourite themes (female different techniques, from charcoal sketches to oil paintings and sculpture. Ends Dec 29. Closed

WASHINGTON Museum of Natural History Seeds of Change: an exhibition marking the 500th anniversary of Columbus' voyage, with a look at the impact of animals, crops and disease on native Americans and the Old and New Worlds since 1492. Ends April. Daily National Gallery of Art Albert Bierstadt: Art and Enterprise. The most comprehensive collection of work ever assembled of the epic 19th century American landscape painter. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration. Ends Jan 12, Daily National Museum of Women in the Arts Presswork: the Art of Women Printmakers, A selection of prints illustrating the diversity of styles and processes in the US over the past two decades, Ends Dec 1. Daily Renwick Gallery Albert Paley: Sculptural Adornment. Pins, broaches and neckpieces of unconventional body sculpture made of copper, gernstones, gold and silver. Ends March 22. Also Improvisation in African-American Quiltmaking: 24 quilts and four African textiles provide evidence of a powerful tradition maintained by artists with no formal training.

Ends Jan 5. Daily

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Impasse on farm trade

to be the epitaph on the Uru-guay Round of multilateral trade negotiations? Hopes were raised by the summit between the US and European Community in the Hague on November 9. Even so cautious a participant as Mr Ray MacSharry, the farm commissioner, said afterwards that he was more optimistic about a successful, balanced outcome before the end of the year. Unfortunately, what the EC considers balanced the US continues to view as one-sided. As a result, the follow-up talks in Geneva appear to have reached an ipasse, yet again.

Further compromises are now required, compromises that will probably demand direct intervention by the heads of government, as prom-ised at the July summit of the group of seven industrial countries. However tough the extra movement may be, the prize is so important and the movement already made so large that failure to take the last step would be unpardonable. On what are the two sides

now divided? First, while there was apparent agreement on a 35 per cent cut in export subsidies and a 30 per cent cut in other forms of support, no agreement has yet been reached on the base line from which those cuts are to be measured, with the EC now suggesting a compromise of 1986-90 and the US still insist-

ing on 1986-88. Second, the US wants the cut in export subsidies to be backed up by a limit on export tonnages, while the EC suggests a mixture of volume restraint and cuts in budget allocations, an approach in which the US has limited confi-

Rebalance assistance

Third, the EC wants to be able to "rebalance" its reduc-tions in support with increases in protection against the cereal substitutes that enter duty

Fourth, the EC wants the compensatory payments for price reductions to be in the so-called "green box" of permit-ted subsidies, while US deliciency payments should be in the "amber box" of subsidies that are to fall within the limits set upon assistance. The US

SO NEAR and yet so far: is this argues that both sorts of assistance should be in the same

> to commit itself to further reductions in support after the initially agreed changes have been implemented. But the EC is prepared only to accept a commitment to a review.

These issues may sound merely technical. They are not. Among them are matters of great importance to the two sides. Yet however important they may be, is compromise impossible? When considering their answer to that question, both sides need to bear a number of facts in mind.

Rush's moves

The EC, for example, should recognise that President Bush has accepted very substantial dilution of the initial US aim of complete elimination of trade-distorting assistance. No less should the EC recognise that the American aim, the substantial reduction of expensive programmes that inflict great damage on world trade, is in everyone's self-interest, including its own.

For its part, the US should recall that major reforms of the Common Agricultural Policy are under way. Once started this process of reform is unlikely to be halted. Farm reform, like Rome, could never be built in a day. Furthermore, a total breakdown in negotiations could not possibly be bet-ter than a deal that is not too far from what is now on the

Above all, both sides must remember that far more than farm trade is at stake. Upon a successful compromise hinges completion of the Uruguay Round, which, in turn, will determine the future role of the Catt in the Turner and the Catt in the Turner and the Catt in the Turner and Turne the Gatt in the world trading

A compromise has to be reached. If compromise is not within the brief of the negotiators, the hot potato falls once more into the laps of the heads of government. What with the collars of the heads of the h collapse of the Soviet Union, the civil war in Yugoslavia and the forthcoming EC summit at Maastricht, there is nothing they will want less. But there is only one way to cool this potato for good. It is to reach the agreement that is now so

Towards a single 'phone market

EFFICIENT transcontinental telecommunications networks underpin the US economy. Europe, by contrast, makes do with a patchwork of domestic networks. However efficient these networks may be for local communications – and most are far below US standards - communicating from one end of the continent to the other is frustrated by high prices, poor quality and a web of monopolistic restrictions.

This may not improve much when the single European mar-ket is officially inaugurated at the end of 1992. Aware of the risk, the European Commission's competition directorate is already investigating cartel practices on international routes and is expected to press for monopoly rights in voice communications to be abol-ished when they are reviewed next year.

Most of the 'phone compa-

nies - and the governments which typically own them -are likely to put up stiff resis-tance. It is vital therefore that user groups and others with an interest in more competitive markets organise themselves

now for a tough fight. The heaviest burden Europeans bear as a result of the continent's fragmented net-works is the price of long-distance calls. A threeminute call from Boston to Washington DC - a distance of about 650km - costs the user 69c at peak rates, says the consultants, Logica. But a call from Paris to Milan, about the same distance, costs FFr11.37 (\$2.08), nearly three times as much. One from Milan to Brussels, again the same distance, is four times as much - L3,556 (\$2.94). At off-peak times, the disparity is even greater.

Crossing frontiers

Although crossing frontiers is particularly expensive, long-distance calls within one country are also costly by US standards. A call from Marseil-les to Paris costs FFr6.51 (SL19), while one from Naples to Milan is L2,113 (\$1.75). US consumers can call from Miami to Anchorage - 10 times the distance - for only 91c.

The European Community's telecommunications market is shrivelled by comparison with the American. There are 20 per cent fewer phone lines per

head of population and each line is used only a third as much. Innovations – such as freephone services, voice-mess-aging, call-waiting and call-forwarding, which encourage people to use the phone more and improve productivity by making sure they receive more of their calls - are also vastly more common on the other side of the Atlantic.

Telephone culture

Some people might argue that the difference between Burope and the US is not to do with market structures, but is a reflection of American "tele-phone culture". This, though, ignores the fact that the US telephone culture is itself a product of a vigorously com-petitive market. Competition has forced prices lower, which has increased efficiency and boosted usage. The need to win customers has encouraged innovation and improved the quality of service. Telephone quality of service. Telephone companies have also fought high-profile marketing battles with each other, which has further expanded the market.

The same medicine is needed in Europe. It would be best to

start by liberalising international communications within the EC, because that is where the biggest distortions lie. Anybody should be able to operate networks between Milan. Frankfurt, London, Paris and Madrid. A further reason for starting with European routes is that this is an area where the Commission's authority to act under the Treaty of Rome

Once competition is established on European routes, it would only be a matter of time before it caught on for domes-tic routes. Otherwise, customers would be able to "arbitrage" high-cost domestic calls by routing their traffic through low-cost international hubs. If the US market is anything

to go by, even the telephone monopolies should benefit from greater competition. Lower prices in the US have been more than counterbalanced by higher usage, with the average American spend-ing more than twice as much money on telecommunications as the average European. If they were rational, the monop-olies would be campaigning for As head of Barclays their own abolition.

hen British Gas unveiled its results for the first half of this year to the City yesterday, shareholders were looking for more than the customary earnings forecasts. They were hoping for assurances that the company - Britain's fifth-largest - expects to survive in something like its current form until this time next year. They could be forgiven for

feeling disappointed.

The reason is simple. Within the next six weeks, British Gas will hold negotiations with the Office of Fair Trading which will determine whether it has to dispose of two-thirds of its assets. If these talks fail, it faces or us assets. It these talks tall, it taces an investigation by the Monopolies and Mergers Commission which may force still more radical change – per-haps its eventual break-up. Behind all this is a government that has decided it wants to reduce British Gas's market clout.

The OFT's proposals – contained in a highly critical report published in October – will not take full effect for some time, which explains in part why British Gas's share price is reasonably buoyant. At present the company cannot fail to make money out of its captive UK household market.

But this cannot hide the govern-ment's determination to introduce competition to the gas supply indus-try, which means confronting the utiltry, which means controlling the turity with its biggest challenge since
privatisation. The City is asking
whether British Gas's management,
under the chairmanship of Mr Robert
Evans, is equal to the task of defending its core UK business.

The OFT dispute is only one of sevand difficulties:

eral difficulties:

 British Gas is under increasing pressure from the industry regulator, the Office of Gas Supply (Ofgas). Mr James McKinnon, director-general of gas supply, has imposed a tough new pricing regime which could hit the company's profitability when it comes into effect next April.

into effect next April.

The company has been involved in a damaging row with the government and with would-be customers over the sudden price increase it imposed for gas supplies destined for a new wave of gas-fired power stations — in the process exposing itself to charges that it was failing to meet demand in a promising new market. promising new market.

Faced with such problems in its

■ Faced with such problems in its all-important domestic business, British Gas has been trying to diversify into exploration and production of oil and gas overseas, where it can be sure that profits will not be eroded by regulatory pressure. This is a business of ulatory pressure. This is a business of which it has some knowledge; it was stripped of its oil exploration interests by the government before privatisa-tion. But even here, it has not developed a clear strategy and some inter-national investments have proved

British Gas's difficulties are not all British Gas's difficulties are not all its own fault. Its managers — a close-knit clan who share a background in gas engineering — justifiably point to their success; they have brought a reliable supply of gas, at reasonable prices, into 17.8m UK homes. They feel strongly that they have worked hard to increase competition in the UK and that British Gas tition in the UK, and that British Gas has become a victim of political forces has become a victim of pointical forces beyond its control since privatisation in 1986. "Make no mistake," said Mr Evans recently. "privatisation does not end government influence. Indeed it increases it significantly."

To some extent he is right, but he should not be surprised. At its own demand, British Gas was privatised as a single monolithic company. The

a single, monolithic company. The company retained much of its monopoly power in the UK gas market, and has used that power to maximise profits. vatisation that the industry's structure would discourage competition.

"What the OFT report is saying is

that the government got privatisation all wrong and now we've got to go back and change it." says Mr Jona-than Stern, gas expert at the Royal

The introduction of competition to the supply industry will pose huge challenges for British Gas, says Deborah Hargreaves

Problems in the pipeline

Institute for International Affairs. "The trouble is that no one has a vision of what they want to create." Now the issue has come to a head. The OFT's October report accused British Gas of not doing enough to encourage competition. It recommended that the company sell its pipeline and storage system — about two-thirds of its assets; that it sell to competitors large amounts of gas for which it had already concluded supply contracts; and that it introduce competition into its core household supply business. Now the issue has come to a head.

supply business.

It is on the basis of this report that British Gas is now reductantly negotiating with the OFT. Sir Gordon Borrie, director-general of fair trading. would like British Gas's pipeline interests to be sold in the open mar-ket to make a clear separation of ownership; he has, however, conceder ership; he has, however, conceder that the company could be allowed to hive off its pipeline interests to a sep-arate subsidiary, so long as it com-piles with all the OFI's other recommendations. Otherwise, a monopolies investigation looms.

It is unclear where all this will leave shareholders, who ought to be prepared to accept a reasonable level of regulatory risk in buying into an otherwise "safe" utility. If shareholders end up owning a stake in a pipeline company as well as British Gas, they could be better off. Nonetheless,

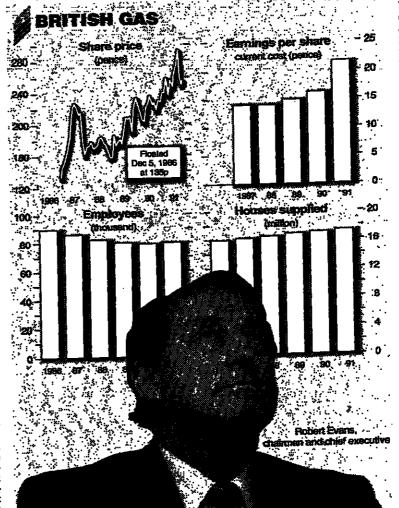
they could be better on. Numerically, the uncertainty is unsettling. What is striking about the current dispute is the way it has caught British Gas on the hop. When the OFT report came out, the company was clearly astonished at the extent of its recommendations. It has made no detailed comment since. At yester-day's press conference Mr Evans said: "The OFT report suggests many fun-damental changes, and I do not believe proper consideration has been given to the consequences."

green to the consequences."

The company has been slow to grasp the initiative in this debate, as with many other regulatory issues. To take another example, the company's relationship with Ofgas might best be described as combative. Mr James McKinnon director-general of gas McKinnon, director-general of gas supply, complains of British Gas's almost instinctive resistance to his suggestions for change, which often means he has to impose reforms rather than negotiate them. Although other privatised utilities have had disother privatised unities have that us-putes with their regulators, none has had as continuous or acrimonious a battle as has British Gas. Earlier this year, Mr McKinnon was

forced to threaten British Gas with court action before it produced vital information for his tariff review of domestic prices. Now he has imposed domestic prices. Now he has imposed his tough new pricing regime. "You'd think they would want to take the initiative with some of the changes I suggest," he says. "But it's only after a war of attrition that we manage to persuade them to embrace change.

British Gas's regulatory difficul British Gas's regulatory difficulties have affected its image in the City. Its share price reached a five-year peak only days before publication of the OFT report, after which it fell 10 per cent – although it has in recent days been climbing again, thanks in part to



BA	ITISH G	AS: Ope	rating P	ront (E		
	Mar 89 12 mihs actual	Mar 90 12 mths actual	Mar 91 12 mths actual	Dec 91 9 mths est	Dec 92 12 mths est	Dec 93 12 mths est
Gas supply Global Gas Installations Appliance trading Exploration & prod Other	1,290 47 30 48 11	1,110 49 26 166 19	1,525 68 48 26 307 15	900 70 35 16 230 13	1,723 140 50 30 405 19	1,788 147 53 30 445 20
TOTAL	1,426	1,870	1,989	1,264	2,367	2,481

justified expectations that the divi-dend would continue to rise. The City still regards British Gas as a healthy profits machine. But for the

long term, some institutional shareholders are expressing concern that the company's management does not have either the vision or the judg-ment to steer it through the current political minefield.

anticipate the zeal with which the anticipate the zeal with which the government is now pursuing competition in the gas market. But it is also possible that the company is gambling that it will be able to ride the storm. Mr Peter Walker — who as

energy secretary oversaw British Gas's privatisation as a single entity is in a position to offer political advice as a non-executive director of the company. And British Gas may be calculating that, come the general election next spring, a Labour victory would change the ground rules beyond recognition.

Whichever party wins, one factor will not alter. British Gas's need to expand overseas. In recent years it has been trying to build up an over-seas exploration, production and dis-tribution network, and Mr Evans has set ambitious targets: he wants the exploration and production division to

account for 40 per cent of British Gas's profits by the end of the decade Gas's profits by the end of the decade a compared with just 15 per cent at present. He also aims for Global Gas, the overseas gas distribution and transmission unit, to increase its share of profits from a current 3 per

cent to 20 per cent.
But while accepting that the company needs to expand overseas, many observers are critical of the way it has sought to do so. "It is undoubtedly a sensible policy to expand oversess, but they have not been selective enough in the way they've done it," said Mr Peter Nicol, analyst at War-

burg Securities.
in New Zealand three years ago,
in New Zealand to take over the gas
British Gas falled to take over the gas nationalistic opposition; in Canada the supply company it took over 18 the supply company it took over 18 months ago. Consumers Gas, has run into regulatory concern, and it is now being forced to float 15 per cent to comply with government demands for a local minority ownership; in Spain, it has just sold its 10 per cent stake in Catalana de Gas, the country's highest Catalana de Gas, the country's biggest

distribution company. "British Gas was probably afflicted with too much cash for acquisitions and there was a need to put some discipline into organising its strategy." says Mr Howard Daiton, the egy." says Mr Howard Mr Evans retired Amoco executive Mr Evans brought in to give some direction to British Gas's overseas expansion.

British Gas's overseas expansion.

Mr Dalton speaks as an outsider, and although the closest thing to new blood at a senior level in British Gas, he does not have a position on the board. There is widespread criticism in the City of what is seen as the company's "in-bred" corporate culture "Institutions would like to see company's in-bred corporate cul-ture. "Institutions would like to see someone else - an outsider - coming in at a senior level," says Mr Ian Graham, analyst with County Nat-

West in Edinburgh.

In part this culture is the legacy of the company's near-legendary former chairman, Sir Dennis Rooke, who preached with almost missionary zeal about the logistics of gas supply, saw the company intact into the private sector and retired in 1989. His successor. Mr Evans, is a quietly-spoken, understated man who has been at the company for 41 years. He is surrounded by four like-minded and similarly self-effacing executive directors.

Mr Cedric Brown, managing director of gas business, who is being groomed as crown prince to the 64-year-old Mr Evans, came up through the regions. Mr Evans is aware of the need to decentralise decision-making. But despite a move last year to create 94 district representatives to bring the company closer to its customers, deci-

sions on pay, prices and investment are still taken centrally. "Quite a lot of management time is devoted to ensuring that things are done in the way they always have been," said one former British Gas manager. "The board is not receptive to ideas from below."

Mr McKinnon of Ofgas agrees that the company is crying out for new executive blood: "A change in corporate culture really needs personnel changes at the top. You can't expect people who have always conformed to specific roles to suddenly change

This ingrained culture makes the company's directors inward-looking and deeply resistant to external inter-ference. "The directors are steeped in the old state monopoly mentality and a legacy from Sir Dennis Rooke of belligerence towards government." said a former British Gas manager

For the moment British Gas's UK business remains a strong cash generator. But unless it establishes a sense of direction, it could risk losing out at home before it has grown overseas sufficiently to compensate. "Bob Evans is concerned about the cocker going out in Bootle," said one consultant who knows him well, "but he is running a multi-million pound global resources company of which Bootle is an important but very small part."

Air on the purse strings

Any visitor to the UK Treasury who hears mention there of the "pathetic trio", should beware of leaping to conclusions. The phrase does not refer to Chancellor Norman Lamont and his two most senior ministers, David Mellor and Francis Maude.

It is simply the name of a plece of music – in its proper spelling, the Pathetique trio, by Glinka. The little known work is currently the top can-didate for in-house performance at the ritual gathering of Treasury eminences in Janu

ary, to discuss the budget.

If the Glinka is played, the rendering will be led by its proposer, bassoonist Bill Rob-inson who doubles as a special adviser to Lamont. The clari-nettist will be Alastair Ross Goobey, a financial-markets adviser, with monetary-policy guru Michael Scholar tickling the ivories.

The proposed programme may well be revised, however, before the weekend meeting takes place. For one thing, the Pathetique may be too gloomy to suit the mood the government hopes will then prevail. For another, a mere trio would leave important Treasury musical resources unemployed

They include Sir Terry Burns, recorder player and permanent secretary; chief economic adviser Alan Budd who, like Ross Goobey, is hot stuff on the liquorice stick; and second permanent secre-tary Warbling Nick Monck, whose vocal repertoire reputedly runs the full gamut from Pennies from Heaven to Buddy can you spare a dime.

Shift of fashion ■ Bluff Barclays banker Neil Harland may not see himself as a beliwether of UK corporate finance, but Observer can see wider significance in his latest move.

OBSERVER

Syndications, Harland spent the late 1990s arranging syndicated credits, multiple option facilities and other rococo financings for UK companies. Indeed, under his guidance Barclays built a reputation as the top UK syndicated loans team, seeing off lesser rivals such as NatWest.

But corporate treasurers are a fickle bunch and complex syndicated credits are now istinctly out of fashion. Relationship Banking is the buzz-phrase once again. Not one to be out of the

action for long, Harland is now off to become director of Barclays' corporate banking division where he will build relationships with some of the bank's biggest corporate customers – including those companies now anxious to replace syndicated credits with cosy bilateral arrangements.

In a word Margaret Thatcher's forceful

intervention in the Commons debate on Europe was described in yesterday's front-page picture caption in The Times as a "Bavura performance" Our Italian dictionary has

no entry for "bavura", although it might be related to "sbavare", which means "slobber". On the other hand it could be a cisalpine cousin of the French word "bavure", signifying "botch-up".

Hindicap

■ The six-page leaflet supposedly rendering the Patient's Charter accessible to the man on the Clapham omnibus is being distributed to households throughout Britain this week. It makes an important concession to a multi-racial society in that the order form promises



"If we don't get on the conveyor belt, we'll miss the train"

document into Bengali, Gujarati, Hindi, Urdu, Punjabi, But is that enough?

Faced with the awkward fact that what a patient's charter actually boils down to may be still more obscure in Hindi and the like than it is in English, the department transliterated the title. People who do not

understand English are unlikely to find much sens in the two alien words even though they are written in a familiar script.

Wind-up

■ The British Leyland old boys' club at Chloride is finally being disbanded. The famous battery-maker, which launched Sir Michael Edwardes business career, has reshuffled its top management team yet again with Keith Hodgkinson, an unknown quantity from GEC, being hired as chief

The net result is that it will be virtually impossible to blame Sir Michael, or his gaggle of former car-makers, for what happens to Chloride from now on Under Ray Horrocks, a

former BL cars chairman, Chloride's turnover has shrunk from £400m to £100m, the UK car battery business has been sold, and the financial position has been stabilised. However - with a market capitalisation of around £30m, and a horrendous tax charge because of its unbalanced earnings' stream — the company's futur

independence is in doubt.
In sum, Chloride is one of the classic casualties of the last recession but one. Horrocks is staying on as chairman for the moment, but Peter Regnier, a former Austin Rover finance director, and his old Austin Rover boss Harold Musgrove, have stepped

down in recent months. Fellow BL old boy Roger Holmes stays on the board, but having been passed over for the chief executive's job, he may also be tempted to move on. Next month's centenary celebration of the Chloride Electrical Storage Syndicate promises to be a rather sombre occasion – even if for no other reason than that the group has lost touch with its Manchester birthplace. Well

over 90 per cent of its workforce are now overseas.

One off

■ Seated beside a very senior officer at an army guest night, the young subaltern tried to open conversation with: "Do you ride, Sir?" "No. Tried it once. Didn't like it," was the only reply.

A bit later, the youngster had another go with: "Ever go to the opera, Sir?" "No. Tried it once. Didn't like it," the great man snapped again. Then, feeling he wasn't being sociable enough, he added: "You look about the same age as my son." "Your only son. Sir?", the subaltern said.

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The French-inspired dream of European "autonomy" in manned space flight – an independent European rocket, space plane and orbiting space station - came crashing back to earth in Munich this week.

The ministerial council of the European Space Agency decided, under irresistible pressure from Germany, that the grandiose plans hatched at its last meeting four years ago were no longer financially sustainable. ESA's catchphrase switched from autonomy to

"worldwide co-operation".

What the change of emphasis means in practice is that the two flagship programmes - the Hermes space plane and Columbus, Europe's contribution to the US-led international space station Freedom - will not go into the final development and production phase this year, as originally envisaged. But preparatory work will continue during 1992, on a slightly reduced budget, while ESA reviews the projects in an effort to cut costs and bring in new partners.

Two potential partners were mentioned at Munich: the Soviet Union and Japan. Their circumstances could not be more different.

The vast Soviet space programme — with far more launches to its credit than the US and a reliability record to match that of Nasa - is in danger of collapsing as the Soviet Union suffers economic and political disintegration. It desperately needs western financial help and obviously is in no position to ball out western Europe. But ESA might be able to cut its development costs by buying in Soviet tech-nology or even hardware.

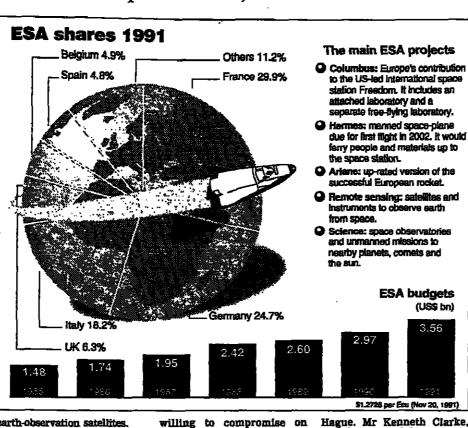
For example Buran, the Soviet space shuttle which has been grounded since its test flight in 1988 for lack of funds, could help the Hermes project. And Mir, the Soviet manned space station, is potentially useful for Columbus

If the Soviet Union has vast experience and no money, the fast-growing Japanese space programme has relatively little experience, reasonable funding (\$1.1bn in 1991) and great ambitions. Japan is developing an unmanned equivalent of Hermes, an automatic space plane called Hope, and an equivalent of Columbus, a manned module called Jem to attach to the space station Freedom.

Nasda, the Japanese space agency, has set up a European office in Paris to liaise with ESA. But so far Nasda-ESA co-operation has been on a small scale - regular annual meetings, exchanges of space scientists and engineers between Europe and Japan, and exchanges of data from

The dream that fell to earth

Collaboration, not autonomy, is the way of the future for space science, writes Clive Cookson



earth-observation satellites "We would like to follow an autonomous path but we might have some financial problems. and in that case there is some possibility of seeking interna-tional co-operation," said a cautious Mr Yoshikazu Shoji, deputy director of Nasda's Paris office, who was an observer at the ESA meeting. Mr Shoji says the space pro-gramme is not as popular politically in Japan as it is in France. "There are no strong politicians in Japan, like Mr Paul Quiles (space minister) and Mr Henri Curien (science minister] in France, who are fighting for space pro-

Nasda's lack of political clout in Tokyo is already giving it problems in achieving what it regards as an adequate increase in its 1992 budget. It is likely to emerge with only a 5 per cent increase in real terms - perhaps small enough to make Japanese space officials

"autonomy" and consider seri-ous co-operation with Europe on their flagship programmes.

Byen so, Japan's rise as a space power contrasts strikingly with Britain's decline.

When ESA was formed in the mid-1970s the UK contributed about 25 per cent of its budget and, although France took the lead in developing the success-ful Ariane rocket, the UK was

regarded as an industrial and political leader of the European space effort.

This year's UK contribution to ESA is about £100m - just 6 per cent of the agency's budget. (The UK government spends £150m a year on grace spends 1150m a year on space, including ESA and other pro-grammes.) If Britain contributed to ESA in proportion to its gross national product, it would be meeting 14 per cent of the agency's expenditure. Britain withdrew to the side lines of European space policy at the 1987 ESA meeting in the

then industry minister respon-sible for UK space policy, refused to have anything to do with the agency's manned space programmes - which he described as "an expensive frolic to be paid for largely by the French, German and Ital-ian taxpayer". Unfortunately, Mr Clarke's combative manner so offended his 12 European so driended his iz survivean
colleagues that they took no
notice of his warning about letting ESA grow out of control.
The UK delegation was virtually invisible in Munich this

week, trying hard to avoid saying "I told you so". Its low-key leader, Lord Reay, emerged at the end to tell journalists: "A crisis may have been put off. for another year on the manned space programme." He was "very pleased" by his pre-decessor's decision in 1987 to stay out of it. Lord Reay was pleased too

that the only new project launched in Munich - the

Polar Orbiting Earth-observa-tion Mission (Poem) – is an environmental monitoring pro-gramme which fits well with the UK's "utilitarian" space policy. Poem will develop instruments and ground-sup-port systems for the UK-led Polar Platform due for launch in 1998.

Even inside ESA there is a widespread feeling that the agency has lost some of its edge since the period in the mid-1980s when the current expansion plans were laid and when the European space science effort basked in the glory of the successful Giotto mission to the nucleus of Halley's comet. Some ESA employees speak privately about the agency's growing bureaucracy, loose management and disen-chanted staff.

And the ministers in Munich this week felt that they had made a mistake allowing four years to pass since the Hague meeting - a period that allowed the costs of Hermes and Columbus to escalate out of control. So they resolved to tighten the political grip on ESA by holding annual minis-terial meetings in future.

European space contractors fear, however, that annual ESA meetings could lead in due course to annual budgets, with a loss of the confidence that multi-year budgets give to the scientists and engineers working on long-term space projects. Some dislike the prospect of having to imitate their US counterparts, who have to counterparts, who have to lobby Congress every year on Nasa's behalf during Washington's budget-setting process. Mr Jean-Marie Luton, ESA director-general, assured the industry in Munich that it

would continue to have long-term contracts and budgets, though he remarked that Nasa managed to put a man on the moon with annual budgets. the moon with annual budgets.
Of course that was at a time when space enjoyed immense political popularity in Washington. Today, a relatively demoralised Nasa has to fight hard for its budget. The space industry only just headed off a move in Congress this year to cut off funding for the Freedom space station, which is suffering from serious technical ing from serious technical problems and cost over-runs. The project's total cost is now estimated at \$30bn-\$40bn.

With space losing political support round the world, inter-national collaboration will be inevitable if the visionaries of the aerospace industry are to achieve any of their long-term aims, such as bases on the moon, manned expeditions to Mars and orbiting space colo-nies. In that context, talk of European, Japanese or even American autonomy in space

Joe Rogaly A fading star



recede is what has them quaking. This is not to say that the former prime minister is no trouble. She will perform whatever political somersault is necessary to make her case. She does have a purpose: to save Britain from what she believes would be the awful fate of accepting a single European currency. But she is gradually devaluing her own currency. She did so again in

the House of Commons on

Wednesday.

She was responding to an excellent speech by Mr John Major, perhaps the best he has made since he succeeded ber. In it, the prime minister the Single European Act, which Mrs Thatcher had negotiated, signed and promoted. Like the Treaty of referred more than once to moted. Like the Treaty of Rome, the Act commits mem-bers of the EC to a "European union". It increases the pow-ers of the Strasbourg Parlia-ment, extends majority voting, and widens Commu-nity commetence. Further nity competence. Further developments along the same lines are likely to be agreed at

Yet as Mr Major's speech made clear, no treaty on political union will be signed by Britain unless the EC is left in its present shape. That is, it will continue to function as an arrangement between governments, a congeries of states that constantly renegotiates treaties, understandings and agreements. There may be some erosion of this structure, but that is all. This is not yet a federation, or even an embryonic one. That is why Mr Jacques Delors expressed disappointment in his speech on Wednesday.

Mrs Thatcher is blind to this. She invited the House to regard the Single European Act – her Act – as an awful warning, an example of what not to do next time. Majority voting, it appears, is different from what it had been when she was in charge. Its sole purpose had been to complete the single market by 1992. She used the same distorting mir-ror on the exchange rate

mechanism, which Britain had joined under her prime ministership. That was acceptable with a 6 per cent band and the possibility of devaluation. There was no need to go any further.

Her most spectacular flip-flop came in her call for a referendum on British adherence to a single currency. When in office she wielded greater personal power than any other EC head of government, possibly excluding President Mitterrand. She did not hesitate to use the prerogative of patronage, with not a word about asking the permission of parliament, let alone the electorate. Her decisions sometimes her whims - were imposed on cowering ministers. When the fine print had to go before parliament the Tories usually rubberstamped it.

Even Mr Major is becoming confident about contradicting Mrs Thatcher

Yet in all her years the Con-servative party never repre-sented more than a third of those entitled to vote. (Take, for example, 1987. Total elec-torate: 43.2m. Conservative vote: 13.8m. Conservative share: 31.9 per cent.) Mrs Thatcher used that undemocratic power to lay waste to local government, without so much as a whiff of a referen-dum. There may be a case for a plebiscite on the EC. Until I see an apposite question I shall remain neutral. But the former prime minister's call was humbug born of desperation. Anyone can pick up passing trade by mouthing slogans about asking the people. She never bothered to ask them when she had the

chance.
The media have puffed her The media have putted her up this week, but she looks like a slowly fading star. She is still living on her reputation for theatricals. She is a good political performer, better than anyone else on the stage, but that is a wasting asset. Even Mr Major is hecoming confident about becoming confident about contradicting her. On Wednesday night his office's simple acknowledgement that a future government could call

a referendum was wilfully misunderstood by some of the media and jumped on by the Labour party as a wobble. Yesterday afternoon the prime minister clearly stated his opposition to a referendum, either now or later. I regard his resistance to constitutional change, even for Scotland, as an unfortunate blind spot but at least he, unlike her, is consistent.

None of this will matter unless economic activity picks up soon. This is the real worry for the Conservatives. Recovery cannot be a matter of economic statistics. It must be believed in, and felt. Mori pollsters ask every month whether people believe that the economy will improve or get worse over the ensuing year. In September the balance of replies was +13 per cent. In October it was down to +5 per cent. NOP asks a slightly different question, about how individuals think their own households will fare over the next 12 months. The balance between "better" and "worse" fell from +6 per cent in September to +1 per cent last month. If there are fur-ther falls the polls showing voting intentions will indicate large Labour leads.

There was a time when Conservatives could take comfort from Mr Michael Heseltine. He it was, you may recall, who argued that the British government could rely on President George Bush. Mr Bush has an election to fight next year, so he would make certain that the US economic cycle suited that purpose. As growth was resumed, its bene-ficial effects would travel eastwards across the Atlantic to imbue the British with confidence and thus rescue the Conservatives. Clearly Mr Bush has not been reading Mr Heseltine's script - or, if he has, he does not know what to do about it.

On this side of the water bottoming-out is taking an awfully long time. The pres-sures on interest rates in Germany, France and therefore ultimately Britain are all upwards. So there is now a distinct possibility that the Tories could lose their major ity next year. Judged against such portents of disaster, one more outburst from Mrs of her downfall must seem

LETTERS

on sovereignty

From Mr Giles Keating.
Sir, There is a growing debate over the loss of sovereignty in the area of budgetary policy caused by the UK's sig-nature of the Emu Treaty. It is therefore important to examine

Under clause 104B-1, signato-ries agree to "avoid excessive government deficits". No quan-titative definition of excessive appears to apply to this paragraph, which seems to be no more than a general declaration of intent to impose fiscal self-discipline.

Under clauses 104B-2 to 104B-8 and the related protocol, quantitative limits are established. Signatories agree that, if they violate them, they will submit to a procedure which could result in the EC Council making and ultimately publishing recommendations for reduction of government debt and deficits. The procedure is a political, not a mechanical process, and would not be initiated if the debt ratio, though excessive, is "sufficiently diminishing". But, most important, there is nothing binding

about the recommendations that emerge from the Council.

The UK's submitting to this procedure appears no different from its long-standing membership of the OECD and IMF. Both bodies can make recombers' budgetary policy. Such recommendations are not generally regarded as impinging on sovereignty, although of course they might have a pow-erful effect on market valua-tions of UK debt, and thus indi-

rectly influence policy.
Finally, clauses 104B-9 and 104B-10 do establish a set of punitive sanctions on signatories that fail to follow the Council's recommendations; but these two clauses apply only in the third stage of Emu to those countries without an exemption or derogation. They would not apply if the UK chose to exercise the opt-out clause, and so the UK does not commit to them merely by signing the Treaty.
Giles Keating,
Credit Suisse First Boston,
2a Great Titchfield Street,

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 $(x_1, x_2, \dots, x_{n-1}, \dots, x_n) \in \mathcal{F}_{n-1}^{(n)}$

Terms are clear Rao not using victory to encourage foreign investment into India India has all the resources -raw materials, skilled labour,

From Sir Eldon Griffiths MP.
Sir, Election victories in
working democracies are generally expected to make the
winners bolder. Not so, it seems, in India.

seems, in India.
Your report ("Delhi to retain control of public sector industry", November 19) on Narasimha Rao's depressing speech to the World Economic Forum in Delhi makes it clear that, despite his landslide victory in last Friday's by-election, the new Indian prime minister is back-pedalling on his promises to "restructure...privatise...and reduce the overmanise. . and reduce the overman-ning" of India's bloated publicsector industries. This is depressing news, hardly calcu-lated to attract the overseas investment that India so des-perately needs at a time of accelerating foreign debt and domestic inflation.

Overseas Indians attracted by Delhi's invitations to invest their savings in the country of their birth were disillusioned in the 1980s when Mr Rao's predecessor, Rajiv Gandhi, began his prime ministership with the promise of a "new era" of reform and liberalisation. tion - only to end it up to his ears in the same (only worse) old stench of bureaucracy and corruption that all too often had characterised India's pub-lic life. Narasimha Rao's new beginning had started to heal the wounds. Yet here we go again: only months into his

From Mr Emilio Gabaglio.

European employers' body, has argued against this type of prime ministership, he warns that the long overdue perestroika that the Indian eco (and government) so badly needs, once again is to be put back lest it upset the same trade unions and bureaucrats who have so large a stake in keeping India's basic indus-tries, its transport and public utilities, in the hands of yester-

technology - that are needed to generate the same sort of industrial "miracle" that its south-east Asian neighbours already are achieving. What is holding this giant country back is political pusillanimity. Eldon Griffiths,
House of Commons

Effects of Japanese 'shadows'

From Mr Mike Parr.
Sir, Re Christopher Lorenz's article, "Japan should give locals a chance" (November 15), I worked for Sony at its Bridgend CRT Plant as the utilities engineer for several years during the 1980s and can therefore comment, at least on Son-y's practices, with some

authority.
Sony had a shadowing policy then and has one now. Its policy (and probably shadowing policies in general) had several

enects:

■ Japanese process engineers and managers were able to influence buying decisions in favour of Japanese products;

■ The cost of these people was included in factory budgets as consultancy, at consultancy rates. The cost of these people was included in factory budgets as consultancy. rates. The general effect was that profits were transferred back to Japan;

Frustration was felt by "local" staff because of the feel-

ing of constantly having their shoulders looked over and hav-ing to justify their actions to their shadows.

I find the suggestion by Mr Campbell of learning Japanese

and working all hours God sends as risible. I worked at Sony to earn a living not as a way of life. The differences in attitudes

towards work are cultural and will not be changed by "locals" taking Japanese language les-sons and having beers with "Aki" after work. If the Japanese are happy to lead a way of life that to us is insane, then good luck to them. However, it does not follow that we should emulate them. By "us" I mean most of the "local" engineers and staff

employed by Sony. Mike Parr, 130 Grosvenor Gardens, Claughton, Birkenhead

A breakthrough in moves on EC social policy

change on the grounds that the EC directives would tend to be inflexible and not appropriate Sir, Zygmunt Tyszkiewicz's restrictive interpretation to local circumstances. The (Letters, November 11) of the agreement signed between social partners' agreement, unions and employers about which meets those objections, the development of framework

which meets those objections, is thus a breakthrough.

The agreement would give the social partners a ninement period to reach agreements on social issues. It would also open the possibility for flexibility of implementation at local level, for example through further negotiations. Of course, there could still be legislation if the social partners could not agree, but at agreements on EC social policy fails to put it in true context. Every draft of the revised treaty so far discussed at the intergovernmental conference has, in fact, supported an extension of the scope for Community action in the social field, together with wider use of qualified majority voting. This is because there is very ners could not agree, but at least that point is addressed in wide agreement that the Coma very substantial way. munity needs rather greater scope to develop an effective social dimension. UNICE, the The agreement removes the

grounds for hesitancy about the extension of Community competence in the social field

and the wider use of qualified majority voting. It was no sur-prise, therefore, that there is broad consensus among governments to welcome the agreement and to give general blessing to the new Dutch draft of the treaty which includes the extension of qualified majority voting in this area. It is clear from this that the

social partners' proposal will make the task of those who oppose the adoption of a package deal of economic, monetary and social measures much more difficult. Emilio Gabaglio. general secretary,

European Trade Union Confederation, Rue Montagne gux Herbes

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FINANCIAL TIMES

Friday November 22 1991



Prime minister rejects Thatcher's call for referendum on European integration

Major wins backing for EC stance

GE determined to

with Rolls-Royce

repair relations

MR JOHN Major, the UK prime minister, won endorsement yesterday for his negotiating stance on European integra-tion after slamming the door on a call by his predecessor, Mrs Margaret Thatcher, for a referendum on the outcome of

But as a tense two-day House of Commons debate drew to a close last night, the divisions in the ruling Conser-vative party over how much ground Britain should cede at e summit were reflected in further sharp exchanges.

The opposition Labour party

charged that Mr Major lacked a

GENERAL Electric of the US is

determined to repair its dam-aged relations with Rolls-Royce, the UK aircraft engine manufacturer.

Mr Brian Rowe, bead of GE's aero-engine division, said in Cincipnati he wanted to

Cincinnati he wanted to co-operate with Rolls-Royce. "We've got to stop killing ourselves. We've got to co-oper-

ate on programmes when we can and the door remains open for Rolls-Royce," he said in his first interview since British

Airways' controversial decision to buy GE rather than

Rolls-Royce engines to power its new fleet of Boeing 777 air-

BA and GE are expected to complete their deal early next

month. As well as supplying its new GE90 heavy thrust engines, GE has agreed to pay £272m (\$481m) for BA's engine overhaul plant at Treforest in

Rolls-Royce and GE have been particularly strained since Rolls-Royce pulled out of a wide-ranging engine collabora-tion agreement with the US

ing in both the medium-thrust

and heavy-thrust commercial

Rolls-Royce leading the collab-

and GE leading the big engine

programme.
The collapse of the deal not

only soured relations between the two companies but became

the source of considerable per-sonal friction between their top

between

Relations

group seven years ago. The agreement envisaged the two companies co-operat-

engine sectors

"mandate and an agenda" for the negotiations. Mr Gerald Kaufman, Labour's foreign affairs spokesman, said the government's stance had become "a maze in which Tory MPs wander blindly, from time to time colliding with each

Outlining Labour's plans for a wider and "more democratic" Europe, Mr Kaufman called for increased powers for the European Parliament and extensions of majority voting in the Council of Ministers.
Mrs Thatcher clashed pub-

licly with another former pre-mier, Mr Edward Heath, when

GE's successful tender for

the BA deal was regarded by many in the industry as Mr Rowe's revenge for the British

company's withdrawal from

the co-operation agreement.
But Mr Rowe said the animosity had been grossly exaggerated and that he bore no

personal grudges.
He said the aircraft engine

industry was under intense

pressure because of the decline in military business and fierce

competition in the commercial

sector with manufacturers vir-tually giving engines to air-

lines to win deals.
"We are now having to make

deals also on spare parts. That's how tough it is," he added. Engine manufacturers

have traditionally drawn a large share of their revenues

from spare parts sales.

Mr Rowe suggested that aircraft engine manufacturers

could not continue offering

huge discounts if they were to

disappear.

she repeated her call for a referendum before Britain agreed to join moves towards a single

In an exchange which under-lined a deep personal as well as political antagonism between the two former prime minis-ters, Mr Heath tersely rebuffed Mrs Thatcher's view that the voters should have a direct say in the decision.

Opponents as well as sup-porters, however, of Mr Major's determination to conclude a deal with his European partners agreed that his govern-ment was guaranteed a con-vincing majority in last night's

Commons vote on his stance. That stance included an uncompromising rebuttal of a referendum on the Britain's future in Europe. Mr Major told the Commons: "There is no case for one and the govern-

ment will not offer one."
His statement was designed to dispel completely any suggestion that Mrs Thatcher would dictate the tarms of an agreement with Mr Major's European partners European partners.

suropean partners.

Mr Douglas Hurd, the foreign secretary, reminded Mrs
Thatcher that she had flercely
opposed the referendum on
Europe held by the Labour

Earlier Downing Street had suggested Mrs Thatcher's call for a referendum applied only to the final decision due in 1996. But her aides made it clear that she regarded the "opt-out" clause negotiated by Mr Major in the draft treaty on monetary union as too weak. If that clause was not significantly strengthened she wanted a referendum next year before legislation to implement any treaty changes.

Details, Page 8 Background, Page 2 Joe Rogaly, Page 15



US defence secretary Dick Cheney (left) and his South Korean counterpart, Lee Jong Koo (centre) in Seoul yesterday. Mr Cheney said further cuts in US forces in South Korea will be postponed indefinitely.

Report, Page 5

White House wavering as Bush fails to hit home run

LIKE a baseball team which has suddenly lost its collective nerve, the Bush administration is experiencing one of its worst losing streaks.

The signs of disarray are

survive in the longer term. He said it was "stupid to think" that any of the four big engine makers including GE, Pratt & Whitney of the US, Rolls-Royce and Sneems of France, would disappear everywhere: the missed politi-cal openings, the unforced errors and, above all, President George Bush's own inability to connect bat with ball.

The latest swish into thin air occurred yesterday when the White House backed away "I can't see the British giv ing up Rolls-Royce nor for that matter the French giving up from a politically explosive plan which would have over-He suggested one solution rather than three to compete on any given airframe. This the hiring of blacks and other minorities.

The new directive would could open the way to new colhave tightened hiring policies on the very day that Mr Bush laboration between engine was due to appear at a Rose Garden ceremony to sign a GE near accord. Page 7 McDonnell Douglas, Page 18 civil rights bill giving new protection against discrimination to women and minorities.
This was no isolated example of official reversals. Last week, Mr Bush called for lower interest rates on credit cards,

prompting the Senate to pass legislation. The stock market plunged, forcing the White House to explain that Mr Bush had been misunderstood. This week, the administra-tion unveiled its offer of \$1.25bn in loan guarantees to the Soviet Union to buy US grain and foodstuff. But in a

have become about Mr Bush's interest in foreign policy, the White House portrayed the offer not as a gesture of American leadership but as a domes-tic issue which would help the US farm economy. Republican critics are accusing Mr John Summu, White House chief of staff, of falling to give Mr Bush sound advice. Mr Sununu is also under fire for allegedly seeking to expand his duties to run Mr Bush's

1992 re-election campaign.

However, a flurry of recent news reports suggest that Mr Bush is far less reliant on his chief of staff and is turning to outsiders for political advice, mainly because of the concern about his fall in the polls.

Mr Bush has fallen into his old trap of substituting activity and speeches he has sought to explain how

he shares ordinary people's concern about the US economy - but also why he intends to wait until early next year before refining his economic table and apparently comes growth package.

Mercury in the ascendant

from a party genuinely keen to buy. It tends to confirm the

ony. It cents to confirm the market's previous calculation that a price of 60p to 65p per share could be enough to topple the present Racal management. That is not so very far above the original 54p value of Williams pener offer even if it

Williams paper offer, even if it

was worth only 47%p at yesterday's close.

The question is how far an

increase would be sensible for Williams, whose shares have underperformed the market by

7 per cent since the bid was launched. It has a record of

improving margins at newly

purchased companies and would have latitude for acqui-

sition accounting, but its management is not well versed in

electronics. The answer for

Racal holders might yet be to wait for a higher Williams offer

Minority investors in conti-

nental Europe have been flex-ing the occasional muscle of

late. But while they were suc-

cessful this summer in preventing a back-door takeover of the French shipping group Delmas-Vieljeux, and have recently mounted a credible

challenge to the terms of Accor's bid for the Belgian travel group Wagons-Lits, they

look powerless against the wily tactics of Mr Nicholas Clive-

terday's FFr4.3bn paper offer

by Saint Louis for Arjomari-

Prioux represents a cheap way

for the Worms family to con-

solidate its grip on a 39 per cent stake in the Anglo-French

Appleton. Worms effectively controls Saint Louis, after all,

and Arjomari's leading asset is the AWA stake. The true value

of the offer after conversion

was FFr2,130 at last night's

There is little doubt that yes-

and then sell for cash.

Arjo Wiggins

The market's valuation of Cable & Wireless has been rather curious of late. After rather curious of late. After yesterday's respectable half-year figures, the group is on course to make £700m pre-tax this year, giving a prospective multiple 20 per cent above the market average. That seems generous enough, until one considers that Vodafone is on a \$60 per cent premium. The com-60 per cent premium. The com-parison has its limits: but the market clearly has doubts

market clearly has doubts about C&W's growth prospects. Judging by the chart, this has been the case for a year or two. The explanation lies mainly with C&W's Mercury operations, which have so far gobbled £1.50n of cash, will devour at least another £1bn by 1993 and will probably not table a circultural metal. make a significant return until the investment programme is over. Investors are understandably nervous of such a huge project, particularly when the company admits that its heady

expansion rate will slow a little in the second half. But in the last six months, Mercury has increased its share of the UK business market to over 10 per cent and now accounts for nearly a fifth of outgoing international calls. In the same period, its contribution to trading profit rose by nearly 40 per cent to £69m. Far from representing a danger, Mercury has the potential to emerge as the main contributor to earnings after 1993. Barring an unlikely change in the group's strategy, investors are doubtless asking themselves when to buy C&W shares. There is as they say, no time There is, as they say, no time like the present. After all, the current price puts scarcely any value on Mercury at all.

Racal/Williams

There is a large distinction between Racal's decision to demerge Chubb and the similar exercise this summer involving Vodafone. The latter involved spinning off a quoted company with a clear market value an with a clear market value and leaving a rump that immediately attracted a bid premium. Chubb is neither quoted nor a growth company in the style of Vodafone. There is unlikely to be much bid premium on the rag-bag of business that would be left in Racal after the demerger. It is therefore a most point whether the demer. moot point whether the demer-ger strategy will add sufficient shareholder value to fend off

All that is clear about the value of Chubb is that Racal has received and dismissed as too low an offer of £450m. Yet this is the only cash on the

close, a merc 4 per cent pre-mium on Arjomari's price prior FT-SE Index: 2,463.5 (-9.1) to the announcement and still a 25-30 per cent discount to Arjomari's net asset value. The Anglo-Saxon mentality would

Anglo-Saxon mentanty would assume greater generosity; but the weakness of the Arioman price in recent weeks - party due to its being taken out of the CAC 40 at the end of October - suggests that the locals knew what to expect.

The knee-jerk rise in AWA's chose price vesterday can be share price yesterday can be attributed as much to the market's naivete as to poor Parksian communications. Even without the prospect of a bid though, the company has the attractions of a sound financial structure and good prospective earnings growth over the next 12 months.

Markets

This week's fall in the UK equity market has brought the yield ratio to below two for the first time since the Gulf war. Devotees of the ratio, which consists of the long gilt yield divided by the yield on equi-ties, will tell you that this is an infallible buy signal. The pic-ture is clouded by ERM entry, which logically might suggest which logically might suggest a permanent change in the giftequity relationship. The lower the inflation risk, the lower the premium required on gilt yields. But this is challenged by a paper from Goldman Sachs, arguing that at various times and in various markets the reverse has been the case the lower the inflation rate, the higher the yield ratio. Thus, in France in 1975-79, inflation averaged 9.7 per cent and the yield ratio 2.1 times. In 1985-91, inflation was 3.5 per cent and the ratio 3.2 times. The effect is equally striking in Germany

and other EMS countries.
In the UK, the argument gains support from the fact that over the past 20 years equity yields, despite their sup-posedly inflation-proof character, have moved broadly in line with inflation. There are two possible explanations. First. investors may simply put blind faith in the ratio. so that ratio nal moves in gilts along with inflation produce irrational moves in equities. Second. inflation may actually harm equities as an investment. whether by increasing the short-term volatility of the earnings stream or by reducing accounts. Neither argument is wholly satisfactory. Nevertheless, the behaviour of UK equities in the promised world of stable prices looks an increasingly open question.

Bush wants Mideast peace talks in US

THE US administration is expected to propose today that the next phase of direct talks between Israel and its Arab neighbours be held in Washington, probably within the

President George Bush will have talks with Mr Yitzhak Shamir, the Israeli prime min-ister, in an effort to resolve differences between their countries and to carry forward the Middle East peace process.

The proposed second round of bilateral talks would follow up on the Madrid peace confer-ence, hosted by the US and

US AVIATION authorities yes-

terday significantly improved the access of foreign airlines to

lifting restrictions on a two-

Samuel Skinner, the secretary

of transportation, comes in

response to petitions from

more than two dozen domestic

US airports which have been

seeking international services.

year old "Cities Programme"

condary cities in the US by

The move, announced by Mr

Soviet Union. Israel wants the negotations to be held in the Middle East, and the Arab nations would prefer them to

remain in Europe.

One of the trickiest issues facing Mr Bush is how to deal with Israel's request for \$10bn of loan guarantees for housing Soviet Jewish emigrés and Palestinian demands that Israel stop building settlements in the occupied territories.

Last September. Mr Bush successfully pressed Congress to agree to a four-month delay on the Israeli request, capitalis-ing on a growing antipathy

introduced in January 1990, the

Department of Transportation can permit foreign carriers to

fly between their home country and specific US cities which under existing bilateral agree-

Foreign carriers which have

taken advantage of the scheme include KLM Royal Dutch Air-

lines, with services between

Amsterdam and Baltimore.

Detroit and Minneapolis, and

Swissair, which operates a Zur-

ments they could not serve.

among Democrats and Republicans towards foreign aid. Mr Bush also made clear that he intended to link the loan guarantees and the settlement activity which he described as an obstacle to peace. But with an election year approaching, Mr Bush may not wish to risk allowing

Democrats to characterise him

as being anti-Israel.
In recent weeks, the administration has hinted that it might grant part of the loan guaran-tees, which are to be spread over five years. Israel could then cite its own budget prob-

ich-Philadelphia route. Ger-

many's Lufthansa and Ladeco, the Chilean airline, have also

The carriers, however, must meet certain criteria to gain

approval for new routes. The

airports have argued that the

relatively tight conditions have been responsible for the slug-

gish response to the scheme. In

the past, for example, approval was only forthcoming if there

was no other non-stop or one-

benefitted from the scheme.

lems and delay building new settlements over the next 12 months. Mr Shamir was also due to

hold talks yesterday with Mr James Baker, US secretary of state. Mr Baker is likely to travel to western Europe in the first half of next month to meet foreign ministers as part of his effort to prepare the third, multilateral stage of Middle East peace talks on regional issues such as water, arms control, the environment and Palestin-

Victory for Labour, Page 4

stop/single-aircraft service between the relevant US city

and the carrier's home coun-try. Under the revised rules,

vided there is no existing sin-gle-aircraft service between the

In addition a foreign carrier

will be able to offer a non-stop service in a given "city-pair" market, even if there is a one-

stop, single aircraft service

operating in the same market

same US and foreign cities.

nission can be granted pro-

G7 agrees debt deal

Continued from Page 1

 maintenance of short-term credits by G7 export credit agencies, which will be asked to continue extending short-term credit lines and

• possible emergency financing through a gold swap facility.

The measures were in response to a memorandum of understanding signed last month by the republican lead-ers which stipulated that they would assume joint responsibility for repayment of the for-

The Ukraine, Azerbaijan, Uzbekistan and Georgia did not give full backing to the memorandum and their positions are still uncertain.

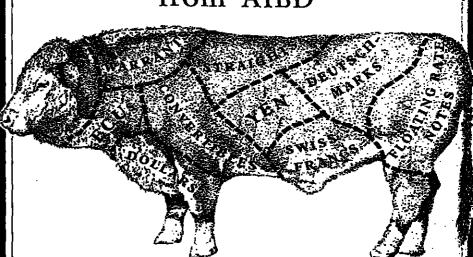
Mr Silayev expressed hope that the Ukraine would join the accord, which he believed would free other resources to help the population through a winter of hardship and shortages of basic goods.

Mr Mulford said republics that did not take part in the memorandum, which remains open to further signatories. would suffer financially.

"We indicated to them that if they turn their backs on debt repayment, they would face a bleak future as far as attract ing new credits is concerned,

The communiqué called for close co-operation with the International Monetary Fund (IMF) in implementing comprehensive reforms as early as the first quarter of

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Belgrade plans to resettle Serbs in occupied Croatia var and was heading towards

US improves access for foreign airlines

Continued from Page 1

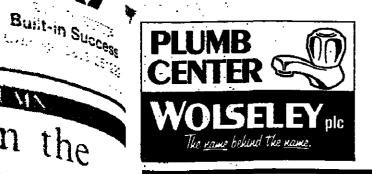
to Serbia, and move the Serbs who want to be citizens of the Third Yugoslavia out of the crisis areas," he wrote. He added that this new "Third Yugoslavia" would include the Croatian towns of Vinkovci, Vukovar and Osijek. Urban Serbs from Rijeka, and other Croatian cities could move to Slavonia. There were are indications

yesterday that the federal army would continue its advance on other Croatian

the eastern Croatian city of towns. Serbian television yesterday

said a column of army tanks was withdrawing from Vuko-

Mr Arkan Raznatovic, leader of a band of Serb fighters, told Belgrade television: "After Vukovar, it's on to Osijek".



FINANCIAL TIMES COMPANIES & MARKETS

Friday November 22 1991 OTHE FINANCIAL TIMES LIMITED 1991

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Biwater

INSIDE

Hawker Siddeley bid in the balance

Britain's biggest takeover battle this year, the £1.5bn bid by BTR for Hawker Siddeley, ends today with the result still in the balance - in spite of earlier City predictions that the industrial conglomerate would win easily. BTR said It aither owns or has received acceptances for 32.7 per cent of the struggling engineering group's shares, obliging it to pick up in excess of 17 per cent more of Hawker tomorrow through acceptances or open-market pur-chases. Andrew Baxter reports. Page 23

Farmers learn to hedge



Lithuanian and Latvian farms do not have hedges but soon hedges and fences may reacpear on the landscape as the newly-independent Battic states embark on agricultural reform programmes intended to break up the old state farm monopolies and boost flagging production. Page 26

Tough times for bankers

Japanese banks are struggling to come to terms with the mountain of debt left behind by the collapse of the 1980s property boom. The leading banks, which today report results for the six months to the end of September, face what one banker said is "the most difficult time any one of us can remember". Page 19

Karachi stays bullish

The Karachi Stock exchange kept up its bullish surge this week, reaching a record in spite of a bearish trend on international markets. The rise has surprised market watchers. Page 38

Chloride chairman to bow out



The chairman of Chloride Group, Mr Ray Horrocks (left), is to hand over executive responsibilities next month to Mr Keith Hodgkinson, dep-uty chairman of GEC's electronic metrology group. Chloride, the bat tery group, yesterday announced a pre-tax profit of £1.02m (\$1.8m) in the six months to September 30, down from £4.39m. Page 23; Observer, Page 14

LIG profits rise 16.4%

London international Group, the consumer products and services group, reported a 16.4 per cent increase in pre-tax profits to £20.5m (\$36.3m). Page 24

Sales of ales push Morland up

The share price of Morland & Co, the Thames 360p yesterday after the company announced a 16.9 per cent increase in pre-tax profits to £5.93m (\$10.5m). The results were driven by growth in sales of the company's ales. Page 24

Market Statistics

Base lending rates Benchmark Govt bonds FT-A Indices FT int bond svca

Landon traded options London tradit ontions Managed fund service Money markets New int band issues 34 World commodity prices 21 World stock mkt indices 28-29 UK dividends announced

Companies in this Issue

BESCL Barratt Deve Barrett (Henry) Black Arrow British Telecom C.Itoh Cable and Wireless Chloride Chubb Cookson Group Credit Lyonnals Ennex inti General Electric

Hogg Robinson LIG

22 Marubeni 18 Mitsubishi Corp ie Mitsui & Co 22 Morland & Co 24 Neti Australia Bank 23 Nisaho Iwai 21 Okuma Okuma Petrogal Property Pariners Recal Electronics Rothmans Internati 23 Recal Ele 22 Rothman 23 Sandvik Sixt Storehouse Suzuki Motor Trafalgar House 24 Vitro 23 Westpac 24 Williams Hidgs Locker (Thomas) 19 York Waterworks

Chief price changes yesterday PARIS (FFr) Risea Cap Georiei 5 257 + 12 Industriele 9190 + 350 Pallis Demort 2210 — 83 Imm de France 844 — 31 Printemps (Au) 859 — 39 UFB Locabel 281 — 19 TOKYO (Yean) 7% -

New York prices at 12:39 French Connect

Saint Louis seeks rest of Arjomari-Prioux

By William Dawkins in Paris and Paul Abrahams in London

SAINT LOUIS, the French sugar and paper group, yesterday made a paper offer worth FFr4.3bn (\$760m) to buy the rest of Arjomari-Prioux, the paper company in which it holds a controlling 41.42

which it holds a controlling 41.42 per cent stake.

If accepted, the deal would leave Saint Louis as a direct 39 per cent shareholder in Arjo Wiggins Appleton (AWA) Europe's third largest paper group.

The way the announcement was made in Paris astonished

was made in Paris astonished British brokers and institutional shareholders who were unable to

reach AWA's management. Rumours that Saint Louis' controlling company, Worms et Cie, a family-held holding group, would make a full bid for AWA swept the market. AWA's shares e 25p in heavy trading before closing up 5p at 259p.

French brokers said the terms

offered were not generous. They represent the equivalent of around a 25 per cent discount to Arjomari-Prioux's revalued net assets but a 2.5 per cent premium on the market price. Worms et Cie pointed out that

the deal would give Arjomari-Prioux shareholders at least a 50 per cent increase in revenue. Mr Nicholas Clive-Worms, senior managing partner of Worms et Cie, said the purpose of the deal was to remove an unnecessary layer between Saint Louis and AWA. Arjomari-Prioux was left as a shell after the formation of AWA last year by the merger of Wiggins Teape Appleton, the UK papermaker and the Arjomar-

i-Prioux's industrial assets.
"If all Arjomari shareholders

will no longer have a company in between themselves and AWA," he said. Arjomari-Prioux investors accepting the terms of the offer would be moving out of a holding company and into a busi-ness with an industrial purpose, he added. The prospect of Saint Louis moving on to make a full bid for AWA was "out of the question", said Mr Clive-Worms. British analysts said the move was unlikely to affect the way AWA was managed, although by tidying the ownership structure the company would be more

announcement had not come as a surprise, although its manner there was no statement on the London stock exchange - was typically Gallic, said one analyst. Saint Louis is offering to swap convertible bonds, yet to be issued, for all outstanding Arjomari-Prioux shares and convertible bonds. The new Saint Louis bonds would have a face value of FFr525 and carry interest of 7 per cent, convertible on the basis of three bonds for one Saint Louis share. The offer is for five of

attractive to a predator. The

these bonds per one share in Arjomari-Prioux, or 11 for two convertible bonds. Mr David Harrington, analyst at DLP James Capel, said minor-ity investors in "cascade" structures, by which a holding group exerts wide control through 2 descending series of minority stakes, have always run a risk of losing out. "It's an understatement to say that the offer is not particularly generous. But from Saint Louis' point of view, it's very sensible

McDonnell Douglas seeks more partners

By Martin Dickson in New York and Peter Wickenden in Talpei

MCDONNELL Douglas, which this week reached a preliminary agreement to sell 40 per cent of its commercial aircraft operations to Taiwan Aerospace for \$2bn, yesterday said it was still talking to seven other Astan companies about joining the deal and thinks at least one may take a 9.9 per cent stake in the busi-

Meanwhile in Taiwan, mem bers of parliament threatened to block the scheme if Mr Vincent Siew, economics minister, could

not guarantee its viability.

Mr Herb Lanese, McDonnell
Douglas's senior financial officer, said that the discussions involved two companies in South Korea, two in Singapore, two in Japan and one in Indonesia. The talks are about three dif-ferent levels of involvement in

McDonnell Douglas's efforts to raise finance to develop the MD-12, a new long-range widebodied aircraft. First, McDonnell Douglas is

looking for additional equity partners and is willing to sell up to 49.9 per cent of the commer-Second, it is considering risk-

sharing partners who would take on the costs of developing a piece of equipment in return for a of the aircraft's revenue Third, McDonnell Douglas is seeking Asian sub-contractors. Mr Lanese said if several other

stake of between5 per cent and 10 per cent in the business, Taiwan Aerospace's equity inter-est might be reduced. Precisely what parts of the MD-12 would be built in Taiwan

Asian partners wanted to take a

remained subject to negotiation, but Mr Lanese estimated that 50 per cent of the aircraft might be assembled there. Some members of the US Congress are concerned that the Taiwan Aerospace deal will mean the export of more jobs and sensitive technology to Asia. McDonnell Douglas argues

that it will not be exporting the

most important parts of aero-

space technology - wing design and the integration of Mr Lanese said that McDonnell Douglas could not afford to develop the MD-12 without the Taiwan Aerospace deal and that building the aircraft would cre-ate 6,000 to 8,000 jobs in the US,

and 25,000 indirect jobs.
In Taiwan, some members of parliament said they doubted that Taiwan Aerospace, which is likely to be backed by cash from state-run banks and direct gov-ernment funding, will receive a

The Taiwan government is rushing to set up an ad-hoc com-mittee to evaluate the deal before approving it, said Mr Yang Shih-jien, director of the Industrial Development Bureau, which recently set up Taiwan



Simon London explains UK insurers' search for capital

Repairing the balance sheet

X insurance companies are searching for warm's are searching for ways to shore up their balance sheets following huge losses from property-related business. Third-quarter results from Ragle Star this week and other insurers last week confirmed a

picture of rising losses and deter-iorating financial ratios. According to analysts' estimates, UK insurers face com-bined losses of around £3bn (\$5.31bn) over the next two years from mortgage indemnity insur-ance, which covers the possibility of default on UK home loans. UBS Phillips & Drew calculated that Royal Insurance and Sun

and Legal & General around £200m. Losses on this scale are already eating into the insurers' capital - damage which will have to be repaired.
The "capital adequacy" of

Alliance are likely to lose £500m each. Eagle Star could lose £360m

insurance companies is measured by a solvency ratio – the ratio of balance sheet capital to non-life premium income. During the late 1980s a solvency ratio of 60 per cent or more was normal for top-flight UK insurance companies. Today the picture is different.

For example, Royal Insurance had a solvency ratio of 55 per cent in 1989, but confirmed last week that this has fallen to 35 per cent. According to some analysts it could fall to 25 per cent

Royal is not alone. Guardian Royal Exchange has already seen its solvency ratio collapse from 82 per cent to 46 per cent. It could reach 36 per cent by the end of next year. Also by the end of 1992, Eagle Star could have a sol-vency ratio of 40 per cent. Other companies face similar problems as mortgage indemnity insurance

losses continue to grow.

These figures are well above the legal minimum solvency ratio below 50 per cent is seen by investors - and insurance bro-

New capital does not necessarily mean rights issues. Most UK composite insurance companies have a quoted holding company which can raise debt finance in its own name, through a bond issue, for example, and inject the proceeds into its insurance sub-

process into its insurance subsidiary as equity.

Prudential recently used this method to re-capitalise Jackson National, its US insurance subsidiary. The company launched a \$300m 10-year Eurobond issue, and nessed on the proceeds as and passed on the proceeds as

Some insurers have greater capacity to raise debt finance than others. GRE has a gearing ratio of just 12 per cent, against 38 per cent for Royal and 44 per cent for General Accident, for example. Hence straight bond issues could be used by some insurers to prevent further dete-rioration of solvency ratios — at least as a stop-gap measure until profitability improves and rights issues look better value. However, it is not clear that big insti-

tutional shareholders would be satisfied by such a move.

"Nobody will be terribly impressed by them simply shuf-fling debt around from holding company to subsidiary. Real equity is required, or something that looks very much like it," commented one analyst. The current state of the UK equity market may rule out rights issues.

ith this in mind, insur-ance companies may prefer to issue subordi-nated debt instruments, preference shares or convertible bonds all of which can be accounted for as near-equity at the holding company level:

Preference shares are used by

many continental insurance companies and have been issued by UK banks to boost core capital

One problem is that the market for sterling preference shares, needed to raise capital for trou-bled UK insurance businesses, is very limited. National Westminster Bank's £140m preference share issue in September was only the third by a UK financial institution in recent years. In addition, the insurers face stiff competition for institutional funds from building societies.

• Convertible capital bonds have been used by many UK companies to raise equity-style finance. The proceeds of the issue can be accounted for as equity on the balance sheet under UK accounting standards even before the bonds convert into shares.

The tax treatment of convertible bonds may be an attraction for loss-making insurers. While preference share dividend payments attract Advance Corporation Tax, interest payments on convertible capital bonds do not in fact interest payments are tax deductible. Hence an insurer with UK earnings too low to offset ACT may prefer convertible

bonds to preference shares. Subordinated debt is used by many banks to boost capital, and under the proposed EC third non-life insurance directive, insurance companies will be able to do the same. The only limita-tions are that the subordinated bonds rank after all other credi-tors, have a life of more than five years, and do not count for more than 25 per cent of total capital. In addition, subordinated bond

issues could be used to diversify the company's capital base -tapping international demand for debt securities, for example. However, whichever method of raising capital is chosen, it is clear that the capital markets are nervous of UK insurance companies. Prudential, one of the strongest of the insurers and with lit-tle exposure to the mortgage market, faced wide disagreement

between underwriting firms over the pricing of its recent bond issue. The deal had a rough ride.

l he issue was fully underwritten, so Prudential secured its funding and Jackson National won its equity injection. But the episode illustrates the problems which face weaker insurers hoping to tap the debt market.
In the longer term there may

be no alternative but to ask investors for additional equity capital. "Insurance is a risk business, as such it should be backed by risk capital," commented Mr Youssef Zaia, analyst at UBS Phillips & Drew.

IBM may take stake in Dassault

By William Dawkins in Paris

INTERNATIONAL Business Machines, the US computer group, is negotiating to take a minority stake in the computeraided design (CAD) manufactur-ing and engineering division of Dassault, the French aircraft group, and merge some of its wn CAD business with Dassault.

This deepens 10 years of co-operation between Dassault Systèmes and IBM, which Systèmes and IBM, which already distributes the French company's computer-aided design, manufacturing and engineering products.

Dassault Systèmes and California-based Cadam — an IBM subsidiary — together represent the world's largest suppliers of such systèms.

such systems. Cadam is the market leader in

Japan, while Dassault System's product, called Catia, is the Buropean leader. The automotive and aerospace

ndustries are their main customers and the partners produce similar products. They plan to make their products compatible by next year, a long-standing demand from customers, leading to a single joint design, manufac-turing and engineering system. Dassault Systèmes employs 900 people and expects turnover to rise from FFr843m last year to FFr1bn (\$170m) in 1991, of which 40 per cent will go to the car industry and 30 per cent to aero-space. Cadam – which does not disclose its revenues – employs 750 people in California and car and aerospace customers.

The French partner will take on 200 Cadam staff at a new development site in Burbank, California, near Cadam's head office.

The partners did not reveal the size of IBM's stake in Dassault System, though the US partner will receive a seat on the French company's board.

КЛИФФОРД ЧАНС

THE LAW FIRM OF

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William Knowles, Dr. Susanne Heger, Marina Kasatkina

CLIFFORD CHANCE

of 16 per cent required under UK law. However, a solvency ratio fair return on its \$2bn investment in the venture. kers through which the compa-nies sell their products – as a sign of fragility. Analysts estimate that UK insurance companies will have to raise between £1bn and £1.5bn new capital to maintain solvency which are starting to issue simimargins at a comfortable level. gian clients, who had more to save as a result of increased wages. BBL also seems to have BANQUE Brussels Lambert operations in Belgium. weathered the general slowdown in the economy which began before the Gulf war. Business proved better with the private than with the public sector, as the Belgian state conemployees in the past year. A further reduction of 300 jobs was planned by 1993. tinued attempts to rein in its borrowing. However, the bank said companies borrowed more for result was due to tax changes as well as to increased commercial business and higher interest

Buoyant BBL plans to lift payout

(BBL), Belgium's second largest bank, yesterday announced a 35 per cent rise in net profits to BFr4.5bn (\$133m) for the year ended September 1991, and said it planned to increase its dividend. The steep rise in profits outstripped those announced by the other main Belgian banks. However, Mr Theo Peeters, BBL's chairman, said the improved

BBL is raising its dividend by 3 per cent to BFr140 a share, but for the fourth year running will allow shareholders to buy new shares at a reduced price. BBL's consolidated balance

sheet rose 8 per cent to BFr2,287bn. The bank took 10 per cent more in deposits from Bel-

trading than for investment while mortgage lending to indi-viduals showed little increase. The bank has written BFrl.9bn

mainly linked to the closure of BBL-France's stockbroking subsidiary, Auboyneau-Labouret-Ol-Since business in the UK was also poor, most of the bank's bet-ter performance in the past

stemmed from the parent bank's

off the value of its investments,

Mr Peeters stressed that while the number of Belgian branches had been virtually maintained, they had been made to work more efficiently, shedding 460

 Generale Bank, Belgium's largest bank, has signed an agreement with Belgian Famibanque to acquire its car-financing portfolio. The agreement covers a portfolio worth BFr7bn, of which BFr800m is car leasing and

The portfolio represents 25 per cent of the indirect financing market for cars in Belgium and 3 per cent of the consumer credit

Generale Bank said the deal would strengthen its position in consumer goods financing.

INTERNATIONAL COMPANIES AND FINANCE

British Gas warns over **OFT** charging suggestion

BRITISH Gas could end up charging customers more for their gas depending on where they live if recommendations suggested by the Office of Fair trading are implemented, the company warned vesterday.

Some customers could see increases in prices," said Mr Robert Evans, British Gas chairman, yesterday, "I'm not saying this will happen, but some of the consequences of the OFT's recommendations must be thought through British Gas is negotiating

with the OFT over sweeping changes to its business, which include hiving off its pipeline pany, selling off large amounts

UNION BANK OF NORWAY -

known domestically as Spare-

banken Nor - the country's biggest savings bank, has

warned that in 1992 it will need

a capital injection of up to NKr1.5bn (\$238m) to meet capi-

In a letter to the parlia-ment's finance committee out-

lining the bank's financial situ-

ation. Union said that of its

NKr500m will have to be core

heighten the crisis surround-

The revelation is bound to

its core household supply busi-

Mr Evans said he hoped the negotiations would be over by Christmas - the deadline if British Gas wants to avoid a reference to the UK Monopolies and Mergers Commission. He also questioned whether British Gas should invest in long-term supply to domestic customers when the pay-back

takes 10 to 12 years, by which time it could face substantial competition in that sector of its market. The government plans to open up competition in the household supply sector

British Gas said yesterday it makes about £40 (\$70) profit

Norwegian bank to seek capital

been forced to obtain support from their own guarantee fund.

"It is today not possible to raise core capital for Norwe-gian banks, and the market for

supplementary capital has been nearly dry during the last 18 months," Union's letter said in explaining the difficulties

the banks are having in raising

funds to meet capital adequacy

"Possibilities to obtain capi-tal internationally for Scandin-

cult after both Finnish and Swedish banks have experi-

enced problems," Union added. Mr Geir Bergvoll, a bank

AEG to regain control of LEW

Maxwell banks to meet on Monday the company's half-yearly

By Bronwen Maddox and Robert Peston in London

will ask 30 banks with exposure to the Maxwell family's private companies to freeze loan repayments for a month, at an emergency meeting planned for early Monday morning.

At the meeting, Mr Kevin Maxwell, who has taken responsibility for his family's corporate affairs since the death a fortnight ago of his father, Robert, is also expected to explain how collateral pledged to Swiss Bank Corporation on a £55m loan was never delivered.

It is understood that it has been alleged that the security
- in the form of a portfolio of
Japanese stocks and shares was sold even though it was
mortgaged to the bankers in

earry Angust.

SBC was particularly surprised at the failure to deliver the securities, since it had been told the plan was to keep the shares until early next year - any fall in the value of the shares was hedged by an option on the Japanese mar-ket. The Serious Fraud Office is investigating the circumstances in which the assets

went missing.

At the Monday meeting, which will be the first formal gathering of banks with Maxwell exposure, Mr Kevin Maxwell will present the family's preliminary plans to repay private company debts, currently estimated at 2800m.

SBC is adamant that its

SBC is adamant that its loans, with deficient security, should rank above unsecured loans in any future restructur-

be supported by a preliminary report on the private compa-nies' prospects by Cooper Deloitte, the accountancy firm. However, the banks are likely to ask Mr Maxwell to appoint a new firm of advisers for the

NatWest will work over the weekend to anticipate ques-tions likely to be raised at the meeting. One banker said the interlocking webs of debt and assets in the Maxwell private companies was less compli-

BT share offer discount confirmed

SMALL INVESTORS will pay a commission of as little as £9.50 to sell shares they buy in the government's BT share offer

Mr Francis Maude, the Treasury's financial secretary, revealed the low dealing rate yesterday as he confirmed that small investors will get a discount of 15p a share on the first instalment for buying shares. They will pay 110p, compared with the 125p paid by large investors.

The discounts for the second and third instalments will also be 15p each if investors hold on to their shares until the instal

Cheap dealing rates will be available to all investors who have registered with one of eight share shops.

Mr Maude said that 80 per cent of the 5.25m people who have registered an interest in

the offer have selected share shops.
The lowest commission of

£9.50 is being offered by the Norwich & Peterborough Building Society. Other share shops are charging higher com-missions which vary according to the number of shares sold or bought, and whether dealing is by post or through a bank branch. National Westminster Bank, for example, charges £9.95 for postal dealing but £15.00 for dealing through

Investors registered with share shops will receive four coupons entitling them to cheap dealing facilities when they are allocated stock. They do not have to use these with the share shop where they have registered, so allowing them to take advantage of cheaper facilities offered by

demand from institutional investors, which have started making indicative bids for shares, was "well in excess of our expectations" But he refused to specify how many shares had been bid for or at what price.

Institutional investors are making bids at something above the market price - 348p yesterday - to take into account the value of paying for shares in three instalments. This is calculated to be worth

20p to 25p.
Legal & General, one of the largest UK institutions, said it had made a series of indicative bids, starting with a premium of 5p over the market price. As the premium increases, it has reduced the number of shares it is bidding for.
• Salomon Brothers, which was going to be the lead man-

Mr Maude also said that ager of the BT offer in the JE before it was hit by a financhi scandal, said yesterday that the company should consider the company should compare restructuring itself into hep-rate regional and long-distance telephone companies to boos its share price. Such a restreet. uring would diffuse regulatory pressures and release substan-tial funds to develop BTs international business; it

claimed. Salomon's plan would involve the creation of a By bolding company which would then own 51 per cent of several separately quoted regional and long-distance telephone opera-

This would have some aimilarities with the break-up of AT&T, the US telecommunica. tions group in 1984, although in that case the regional and long-distance companies were completely separated.

Sixt bid for

Interhotel

withdrawn

SIXT, the German car rental

company, appeared to catch the Treuhand privatisation

(\$1.52bn) bid to take over

east Germany's Interhotel

An official of the agency said

agency by surprise yesterday by withdrawing its DM2.5bi

Sandvik registers 30% decline

By Robert Taylor in Stockholm

SANDVIK, the Swedish speciality steel and carbide group, reported a 30 per cent drop in nine-month profits (after financial items) to

SKr1.49bn (\$254.7m). Sales for the period fell 4 per cent to SKr13.1bn while the group order book declined 3 per cent to SKr13.28bn. Earn-ings per share (after tax) dropped to SKr29.50 from SKr34.70.

Sandvik said this year's turnover would not match last year's level and the profit for 1991 (after financial items) would fall short of SKr2bn.

The company said that demand remained slack during the third quarter, with a slowdown spreading to Germany and Japan with no improvement in the US. But there were improvements in demand in Canada and Latin America. Only Sandvik's process systems product area recorded

growth in the nine months, with a rise of 18 per cent in sales to SKr808m, although profits fell to SKr961m from SKr1.24bn.

Last year, the group made a both in profits and sales in core product areas. In the core product areas. In the cemented carbide division, profits for the nine months dropped to SKr961m from SKr124bn and sales by 5 per cent to SKr6.82bn. Steel division profits nearly halved to SKr236m from SKr443m with a 7 per cent fall in sales to

SKr4.2bn. The acquisition of Milford corporation in the US helped to offset a sales decline in saws and tools, so the division recorded a 2 per cent growth to Kri 24bn. SKri 07bn. But profits there
The group suffered a decline fell from SKr69m to SKr5m.

that Munich based Sixt, the nation's second largest car rental company, was still in the running aslate as last Wednesday, according to S.G. Warburg which is handling the sale of Interhotel for the privatisation agency. Banco Espiritu share sale near

"Sixt appears to have watered down its offer." the agency official said. The Treuhand's managing board is to meet today on the future of interhotel and a decision is now considered likely.

Three contenders remain for the 29 hotels being sold as part of the chain: Klingbeil Group of property developers in Ber-

Bank; and Maritim hotels of west Germany. Four hotels were extracted from the chain and are being sold separately, including the

lin; Mr Ronald Ernst, a prop-

erty developer from Heidelberg

losses the company is expected LEW's rail division manufac-

By Lesile Colitt in Berlin

AEG, the German electricals company owned by Daimler-Benz, is to regain control, after 46 years, of the heavily loss-making east German railway producer Lokomotivbau-Elektrotecher Loko trotechnischen Werke (LEW). The takeover is one of the biggest deals in the state of Brandenburg, which surrounds Berlin. It will cost the Treuhand, the agency handling pri-vatisation moves in the old east Germany, around DM300m

The Treuband agreed to assume LEWs's debts of DMIS5m and will pay half of the estimated DM200m in to make in the next two years. Of the proceeds from the sale, DM15m will be used as the capital stock for a new company consisting of the non-rail assets of LEW which will also be taken over by

AEG has agreed to invest DM300m in the new company and to guarantee 3,100 jobs in the "medium-term." A new commercial centre and technology park is to be built on part of the LEW site with the help

Mr Ryans was announcing

British Gas increased its loss

to £52m from £44m in the same

period last year. It is not

unusual for British Gas to

make a loss over the summer period when gas demand is low and this gives little indication of full-year results.

Turnover rose by almost 20 per cent to £3.53bn. Mr Evans declared an interim dividend of

4.25 pence per share - an increase of 13 per cent. Losses

per share were 3.2p, against losses of 2.2 last time. The com-

pany's shares closed up 5p at

256p in London. He said the company plans

to pay a special final dividend of 6p in February.

executive, said that work was

under way in the bank on a

After five years the loan

would be converted to primary capital certificates (PCC), a hybrid share/bond instrument

which can be listed on the Oslo

For the first eight months of

this year, Union suffered an operating loss of NKr374.3m, compared with an operating profit of NKr156.6m for the cor-

responding period last year.

Credit losses rose to

12.8 per cent five-year convert-

order of NKr150-250m.

tures electrical locomotives and commuter trains for the Berlin S-Bahn urban transport system which currently make up 60 per cent of turnover. The Soviet Union has been

THE privatisation of Banco Espirito Santo e Comercial de Lisboa (BESCL), Portugal's third largest bank with assets of over \$9.2bn at end-1990, will be completed shortly with the sale of the state's remaining 60 per cent stake. BESCL is the first hig Portuguese bank to be fully privatised under the cur-

rent programme.

An initial 40 per cent was sold last July, with the Grupo Espirito Santo (GES) securing a 23 per cent stake. Espirito Santo is expected to regain

The sale of 24m shares will be split into four tranches with 40 per cent of the shares on offer reserved for existing shareholders, 15 per cent for employees and emigrants, and 20 per cent to be divided equally between depositors and holders of the bank's participa-

tion certificates.

The remaining 25 per cent will be open to all investors. The shares will be priced nearer the time of the stock • Petrogal, the oil group which is Portugal's largest company, is to be 51 per cent privatised. Petrogal, valued at around Es140bn (\$1bn),had sales of Es419bn last year. Several groups have indicated interest in the company, including Total of France in association with Espirito Santo

Sociedade de Investimentos (Essi) a company controlled by the Espirito Santo group; Agip of Italy with Banco Portuguese de Investimento (BPI); and Petroleos de Venezuela

Dom Hotel in Berlin.

GT CHILE GROWTH FUND

NOVEMBER REPORT

"The re-rating of the Chilean market has finished its first stage and further progress will depend much more on earnings growth."



"This is GT reporting from Santiago."

The extract above was taken from the latest monthly report on GT Chile Growth Fund Limited. This summanses the outlook for investors in an economy

which is expected to grow by 5% next year, but which is currently expenencing some inflationary pressures Investors have seen net asset value growth of 156% over the 12 months to 31,10.91, and of 159% since launch on

15th February 1990 (Source, GT Management PLC). Past performance is not a guide to the future. The Fund is a closed-end investment company, designed for very sophisticated investors outside Chile, investing primarily in stocks quoted on the Chilean Securities Market.

Its investment objective is to achieve a total return in

dollar terms, comprising income and capital gains, primarily through investment in equity and debt securities.

The Fund is denominated in US dollars and domiciled in the Cayman Islands. It is listed on the London Stock Exchange Foreign currency fluctuations may affect the value of your

The price of the ordinary shares is published in the Financial Times. The net asset value per ordinary share is published regularly on The Stock Exchange's Company News Service. The value of shares and the income from them can fall as

well as rise and you may not get back the amount you invest. For your copy of the Fund's monthly performance report, simply complete and return the coupon.

To Locy Fountain, GT Management PLC, FPEEPOST, London EC2R 2DL, CALL FREE 0900 212274 Please send me further information and regular monthly performance reports on G1 Chile Growth Fund Limited Lam already a shareholder in GT Chile Growth Fund Limited.





Notice of Sale

Following the enactment of the Ports Act 1991 (the "Act"), the Port of London Authority hereby gives notice that it is seeking to dispose of the Port of Tilbury. Sale arrangements are being handled by the Port of London Authority's financial adviser, S.G. Warburg & Co. Ltd.

Under the provisions of the Act, the Port of London Authority will be offering for sale the entire issued share capital of Port of Tilbury London Limited, a wholly owned subsidiary company set up as provided for under Section 21 of the Act.

Potential purchasers wishing to receive a Confidential Information Memorandum on the Port of Tilbury should register their interest without delay at the following address:

> S.G. Warburg & Co. Ltd. 2 Finsbury Avenue London EC2M 2PA

Telephone 071-860 1090 Telefax 071-860 0901

For the attention of Terence Keyes or Mark Perrett

Potential purchasers will be required to sign a confidentiality agreement prior to receiving the Confidential Information Memorandum. The statement of objectives of the sale will be made available to potential purchasers upon request.

November 1991

Issued by S.G. Warburg & Co. Ltd., a member of The SFA, on behalf of the Port of London Authority.

W. M. DAY SON EMERY

INTERNATIONAL COMPANIES AND FINANCE

Confirme GE Capital may buy assets from rival group

By Martin Dickson hr New York

GE Capital, the main financial services arm of the General Electric group, is considering buying some of the assets of Westinghouse Credit, the troubled finance business of fits rival conglomerate Westinghouse Electric which is in the throes of a fire-

> Westinghouse is trying to dispose of much of its finance portfolio after taking \$2.6bm of write-offs for soured loans made by the credit subsidiary during the lending boom of the late 1980s, mainly in the

the law real estate area GE Capital, which has suffered remarkably few difficulties with its property portfolio and is enjoying portfolio and is enjoying strong profits growth, this week began examining Westinghouse's assets at the invitation of the Pittsburgh

combany. Mr Gary Wendt, chairman of GE: Capital, confirmed in an interview that the company was talking to Westinghouse, but he stressed: "We're

interested only in performing sasets." ## GE might be interested in any of Westinghouse Credit's three business areas - real estate, loans to highly leveraged companies, and

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leasing, he said. ; The leasing portfolio comprises aircraft, co-generation facilities, rail cars; marine vessels and

trucking equipment.
5 The discussions show the sharp contrasts in the fortunes of the two companies, which both have their origins in financing equipment produced by the parent company but have grown far beyond that.

-Westinghouse Credit, with about \$10bn of assets, invested particularly heavily in some of the most speculative grees of the property market during the 1980s, notably totals, motels and shopping

GE Capital - with \$77bn of assets it is much larger and far more diversified - adopted a conservative stance to the property market, lending only to existing buildings with an assured stream of rental

lis financial strength at a table of turmoil in the financial sector means that it has been able to aggressively buy assets at good prices over

he past two years. Analysts believe Westinghouse may have to make even more write-offs on its property portfolio over the next six months and, in an attempt to shore up its balance sheet, may seek to issue

equity.

Nevertheless, its asset sale may have to extend beyond the financial services operations to some of its other

Stefan Wagstyl finds the value of many leading lenders' collateral falling below the level of outstanding loans T APANESE banks are struggling to come to terms with the mountain of debt left behind by the col-

The leading banks, which today report results for the six months to the end of September, face what one senior Japanese banker says is "the most difficult time any one of us can remember".

lapse of the 1980s property

Company bankruptcies are increasing at a relentless pace. The liabilities of groups going bankrupt in the first 10 months of this year totalled Y6,365bn (\$49bn), three times the total for 1990, according to Teikoku Databank, a leading credit research agency. The figure for 1992 could be twice as high, says Telkoku.

Property agents are reporting land prices up to 30 per cent below their peaks in some parts of Tokyo and as much as 50 per cent in Osaka. Many banks are seeing the value of collateral fall below the level of cutstanding leans.

outstanding loans.

The banks' main hope is that land prices will recover enough for the loans to be cleared by the sale of collateral. However, they think this could take e to five years. Borrowers are defaulting on interest pay-ments, and some may not be and construction companies peaked early this year at about

able to wait that long. Meanwhile, the growth in non-performing loans could squeeze profits, eroding the banks' abil-Finance Ministry data ity to accumulate capital with which to fund future invest-

The bulk was lent by big banks including the 11 city (commercial) banks, the three long-term credit banks and seven trust banks. Much of the rest came from financial companies, often bank affiliates, which recycled funds borrowed from banks into the property market. The figures underestimate the total loans made for property investment because they exclude loans made to non-property companies such as Itoman, the trading com-pany which was taken to the verge of bankruptcy through

speculative investment. The greatest doubts sur-round about Y91,000bn borrowed by finance companies. Finance companies are in a particularly difficult position because they belatedly started expanding real estate lending when prices were already high.
So the value of their collateral is less likely to cover their outstanding loans. Their customers were also rarely the first-class companies which the banks kept for themselves. Tei-koku Databank estimates that about Y70,000bn to Y80,000bn

of finance company loans went into real estate - including

Y120,000hn, double the figure loans to non-property compa-for 1986 just before the surge in prices started, according to Y30,000hn to Y40,000hn could be bad or doubtful.

Banks struggle to scale the property debt mountain

Not all finance companies are in the same situation. Some consumer credit compa-nies lent almost nothing for property development. Those with the greatest exposure to real estate include bank affiliates such as Kogin Lease, which is linked to the Indus-trial Bank of Japan, and Nippon Lease, tied to the Long Term Credit Bank.

he exposure of banks also varies greatly.

Among the big institutions, the trust banks, with a long-standing involvement in property finance, were the most aggressive in expanding real estate lending.

Lending to finance and property companies accounted for 33 per cent of their total loan portfolio at the end of March. For the long-term credit banks, the figure was almost as high at 30 per cent. The city banks, despite the widely-publicised involvement of Sumitomo Bank with Itoman, registered a relatively modest 15 per cent. Until the financial bubble burst, bankers claimed they only lent on conservative

ers. However, the lists of creditors of companies which have gone bankrunt or are in receipt of rescue finance, show that even the most elite banks willingly lent to speculators. IBJ's chairman had to resign over loans made to Ms Nui Onoue, a

in land and stocks, and went bankrupt with debts of Y430bn. The banks' bad loan reserves are tiny in proportion to their loan assets - just 0.8 per cent on average. The tax laws do not generally allow banks to establish large tax-free

restaurant owner who invested

reserves. So there is no incentive to salt funds away in advance. The effective reserves are the banks' unrealised profits on securities holdings. Salomon Brothers, the US investment bank, estimates that taking these into account total reserves are a more comfortable Y30,500bn, or 10.3 per cent of loans. These reserves are dwarfed by the total of Y120,000bn borrowed by property and construction compa-nies. If banks had to write-off even half these loans at once,

the result would be maybem. Sales of land held as collateral would swamp the property market, forcing prices down even further, while sales of securities would undermine

the equity market. Only massive intervention by the authorities would prevent banks collapsing.

Mr Tadao Chino, vice-minister of finance for international affairs, thinks this is a most unlikely outcome: "I believe Japanese banks are sound in comparison with those in some other countries. I don't think bankruptcies will have a serious effect on banks." Mass write-offs are

extremely unlikely. Even for bankrupt companies, banks are not obliged to write off loans if they feel they can eventually recover their money. Other property borrowers fall into a wide range from blue-chip com-panies like Mitsubishi Real Estate to companies which are defaulting on some or all of

their interest payments.
So the banks' strategy is to keep creditors afloat until the property market recovers. Real estate agents say the decline in land prices varies greatly from prime areas in central Tokyo where they have dropped by less than 5 per cent from their peak to outlying districts where declines of up to 30 per cent have been seen.

In Osaka, where the increase in prices was even steeper, prices have dropped by up to 50 per cent. Some agents say

cash-rich potential buyers are already sniffing for bargains.

s they wait, banks will see their non-performing loans mount, so reducing their interest income. The result will be a squeeze on bank profits which, for accounting reasons, may not become apparent until after

March 1993. Whatever the aggregate result, sharp differences are likely to emerge between banks. Those which lent aggressively in the 1980s face difficulties, not just in dealing with problem loans but in reforming management and, in some cases, improving scandal-

tainted images.
They include the long-term credit banks, the trust banks and some city banks, notably Sumitomo and Fuji Bank. Banks which were criticised in the 1980s for being slow in moving into property lending now have the satisfaction of

being proved right. However, even they cannot afford to be complacent about the future lending. One Mitsubishi Bank official says: "We must learn from the past. We must be more cautious and

more conservative even than we were before."

NOTICE OF REDEMPTION

Westpac Banking Corporation

US\$ 100,000,000

10% Subordinated Bonds due 1996

200,000 Warrants to subscribe

US\$ 100,000,000

111/4 % Subordinated Bonds due 1996

Notice is hereby given by Westpac Banking Corporation (the «Bank»)

that pursuant to Condition 5 (b) of the Terms and Conditions of the 10 per cent. Subordinated Bonds due 1996 (the «10 per cent. Bonds»).

US\$ 6,100,000 in aggregate principal amount of the 10 per cent. Bonds have been drawn by for for, and will be subject to, redemption on 9th December, 1991 (the «Redemption Date») at 101 ½ % of their prin-

cipal amount, plus accrued interest (i.e. US\$ 758.33 per US\$ 10.000

Payments in respect of the 10 per cent. Bonds so drawn for redemo

tion will be made in accordance with Condition 6 of the Terms and

Conditions of the 10 per cent. Bonds against presentation and surrender of the relevant 10 per cent. Bonds together with all

unmatured Coupans relating thereto, on or after the Redemption Date

at the office of the Paying Agent in New York City (payment of principal only) or, at the option of the holder, at the specified office of the

Principal Paying Agent or any other Paying Agent (payments of principal and interest), as set out in the Terms and Conditions.

The 10 per cent. Bonds so drawn for redemption will become void

unless presented for payment within 12 years after the Redemption Date. Missing unmatured Coupons relating thereto will become void

unless presented for payment within 12 years after the Interest Payment Date specified on the face of the relevant Coupon. Those

Coupons which have matured before the Redemption Date but have

yet to be presented for payment will become void unless presented

for payment within 6 years after the Interest Payment Date specified

The serial numbers of the 10 per cent. Bonds so drawn for redemption.

on the face of such Coupon.

denomination) from March 6, 1991 to the Redemption Date.

JAPANESE INTERIM RESULTS Slowing economy squeezes trading companies

By Emiko Terazono in Tokyo

JAPAN'S leading trading companies yesterday announced disappointing nonconsolidated results for the first half to September. Sales of the companies were affected by the slowing Japanese economy, reflecting the slowdown in the movement of merchandise, especially in the raw materials and heavy industries divisions.

Most of the companies were affected by losses in stock investments. Higher interest rates also squeezed pre-tax

They warned of lower sales and profit estimates for the full gishness in the domestic and overseas economies. Yesterday's announcements unnerved the Tokyo stock mar-ket, which declined for the sev-

enth consecutive day.

• C.Itoh reported a 14.9 per c. tron reported a 14.9 per cent fall in non-consolidated pre-tax profits on a 2.9 per cent sales decline. The company blamed the sales fall on singgish gold trading. A rise in interest payments had cut profits. After-tax profits plunged 21.7 per cent to Y7.4bn. Imports fell 7 per cent to Y1,049.4bm and exports rose 4.7 per cent to Y914.8bn. Transactions between foreign coun-Y3,274bn. Revenue from its metal division slid 14.5 per cent to Y3,010bn, of which Y2,000bn

was gold trading. Chemical goods fell 1.5 per cent to Y1,677.3bn while wood and other materials were 4.4 per cent lower at Y474.9bn. The company posted a deficit on its financial balance

because of losses on its stock investments. It also sold some bank share holdings. For the full year, C.Itoh revised down its earnings projections to a 26.3 per cent fall in pre-tax profits to Y40bn on a 2.9 per cent sales fall to Y20,000bn. • Sumitomo reported a 6 per cent rise in pre-tax profits on a marginal sales increase. It said that the fall in gold trading had affected sales, but had lit-tle effect on profits. After-tax profits rose 2.3 per cent to

ments and meet the standards

for capital adequacy laid down

by the Bank for International

the risk of a collapse of the financial system is very small. Every week, however, the

number of small banks needing

rescue increases. As the resources of big banks are sapped, the number of poten-

sappen, the number of poten-tial rescuers is dwindling fast. Banks have kept the true scale of the potential burden hidden and will probably be

able to do so for a long time. Ministry of Finance rules on

the disclosure of non-perform-

ing loans are vague and flexi-ble. Lenders are, for example, not required to stop booking

interest on loans until more

than a year after a borrower has stopped making payments. Write-offs usually require case-by-case approval from the Min-istry of Finance.

Declared bankruptcies are a

small fraction of the unknown

number of troubled borrowers.

The total loans of real estate

The authorities insist that

Imports declined 11 per cent to YL450.4bn and exports grew 7.7 per cent to Y1,500.6bn. Revenues in Sumitomo's metal division fell 8.4 per cent to Y3,457.2bn, and food division revenues fell 3.4 per cent to Y532.2bn. The machinery division rose 11.6 per cent to Y3,056bn as exports rose.

The financial balance increased due to an 85.2 per cent rise in "other non-operat-ing profits" because of a sale of relationship share holdings. Sumitomo also announced con-solidated interim earnings. Pretax profits rose 10.4 per cent to Y42.3bn on a 3.4 per cent increase in sales to Y10.2bn. After-tax profits fell 3.4 per cent to Y22.2bn because of s at its newly-acquired CATV business and its natural resources operation subsid-

For the full year, Sumitomo revised down its previous non-consolidated forecast to a 5.1 per cent fall in pre-tax profits to Y73bn on a 0.5 per cent rise in sales to Y19,300bn.

• Marubeni's sales were

JAPANESE TRADING COMPANY RESULTS (First half to September 1991)							
	(Ybn)	ales % change		ating profit % change		-tax profit % change	
C. Noh	10,120.8	-2.9	29,3	-6.4	20.2	-14.9	
Sumitomo	9,453.5	0.7	26.8	3.6	35.0	6.0	
Marubani	8,678.8	-4.1	30.0	6.7	22.7	-5.8	
Mitsui	8,339,3	-6.9	31.9	-21.3	31.8	11.9	
Mitsubishi	7,761.7	-10.9	52.2	14.2	42.3	-9.2	
Misshakapi	5 504 5	-16 2	17 A	20 1	9.5	-12 2	

receipt.

to Y1,594bn.

Imports rose 2.3 per cent to Y1,556.6bn and exports increased 4.6 per cent to Y1,129.3bn. Trading between foreign countries fell 24.6 per

cent to Y1,986.1bn. Overall sales declined on a fall in oil and gold trading. Revenue of the petroleum and gas division fell 22.2 per cent to Y991.5bn

and the non-ferrous metals division declined 14.5 per cent

helped increase pre-tax profits. Mitsui revised down its fore-

Y60bn on a 6.7 per cent decline in sales to Y17,000bn.

Mitsubishi blamed its sales

decline on a fall in oil trading,

but said overall profitability

had increased. Pre-tax profits were affected by the deteriorat-ing financial balance, because of losses on stock investments.

After-tax profit fell 16.9 per

cent to Y22.1bn. Imports fell 13.6 per cent to Y1,489.8bn and

affected by the appreciation in the yen against the dollar, and transactions, especially over-seas, declined sharply. Aftertax profits grew 11.8 per cent to Y11.8bn. Exports rose 1.8 per cent to Y1,205bn and imports fell to 15 per cent (Y1,285.4bn).

Revenue from its energy and chemical division fell 10.5 per cent to Y1,830.1bn and machinery and construction declined 0.6 per cent to Y2.256.8bn due to the sluggish domestic con-struction market.

The company posted a deficit on its balance of financial items because of a 13.5 per cent fall in non-operating profits to Y120.6bn. For the year, it expects a 17.8 per cent decline in pre-tax profits to Y45bn on a 5.2 per cent sales fall to • Mitsui sales fell overall but pre-tax profits were increased

by selling securities. After-tax profits fell 27.3 per cent to Y10.8bn because of a special loss of Y9.2bn from the liquidation of Iran Japan Petrochemi-cal, a joint venture with the Iran government. The figure represented the difference between Mitsui's trade insurance claim and its insurance

Y1,302bn. Sales in all divisions fell, with revenue from its oil division falling 25 per cent to Y1,151bn and metals declining

Y16.000bn

4.9 per cent to Y2,176.1bn. The company said that it was moving to reduce its overall assets, especially in its financial items. It had already begun to reduce its arbitrage positions between commercial paper and large time deposits. For the fiscal year to March, Mitsubishi revised down its projections to a 7 per cent rise in pre-tax profits to Y95bn on an 8 per cent fall in sales to

● Nissho Iwai's earnings were affected by heavy financial investment losses. Sales plunged on a sharp decrease of petroleum deals and machin-ery and construction also saw declines. After-tax profit fell 14 per cent to Y4.7bn. Reduced iles management costs led to a 39.1 per cent rise in operating

The company's deficit in the balance on financial items grew, but a Y15.8bn income from sales of its stock hold-Revenue at Nissho Iwai's energy sector fell 45.6 per cent ings, mainly bank shares, to Y791.7bn and machinery and construction fell 18 per cent to Y995.9bn. Revenue of its metal casts for the year to a 9 per cent fall in pre-tax profits to division fell 4.6 per cent to Y2,527.2bn.

affected by increased interest payments and losses on its securities investments. There was a Y17.1bn loss on its balance on financial items. Nissho Iwai said it sold Y9.8bn in securities to improve some of its non-operating income.

Nissho Iwai expects an 18.3 per cent fall in full-year pre-tax profits to Y20bn on a 9.8 per cent sales decline to Y12,000bn.

Suzuki up 3.2% to Y10.56bn

SUZUKI Motor, the Japanese dividend was raised to Y3.5

> Sales rose 2.8 per cent to Y505.1bn, but operating profits were off 21.8 per cent to Y9.6bn because of the higher value of the yen and higher costs. Net profits rose 4.8 per cent to Y4.84bn and an interim dividend was declared at Y3.5.

car and motorcycle-maker, reported a 3.2 per cent rise in e-tax profits to Y10.56bn (\$81.38m) in the six months to the end of September - the result of a sharp decline in operating profits being

Arenbergstreat 7 B-1000 Brussels

Westpac Banking Corporation 75 King William Street

Swiss Bank Corporation 1 Aeschenvorstadt CH-4002 Basie

Westpac Banking Corporation 335 Madison Avenue New York, New York 10017 tas to payment of principal only)

NOTICE OF REDEMPTION Republic of Iceland U.S.\$50,000,000

Principal Paying Agent

Kredietbank S.A. Luxembourgeoise 43 boulevard Royal L-2955 Luxembourg

said Bonds at the redemotion price of 100% of the principal amoun the following two digits have been selected by lot for redemption

oupons will become void. Outstanding after December 15, 1991 US\$10,000,000.

November 22, 1991 By Citibank, N.A. (CSSI Dept.)

12¾% Bonds Due 1992 NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(a) of

the Bonds, Cuibank, N.A. as Fiscal Agent, has selected by lot for redemption on December 15, 1991 US\$8,000,000 principal amount of 11 21 27 33 65 67 83 86

Also the Bonds bearing the following serial number: 6498 Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. On and after December 15, 1991, interest on the Bonds will cease to accrue and unmatured

CITIBANCO

London Fiscal Agent

RICHEMONT

Interim report for the six months ended September 30, 1991

The Board of Directors of Compagnie Financière Richemont AG is pleased to report the consolidated results of the Group for the six months ended September 30, 1991.

•	Sept 30 1991 £ m	Sept. 30 1990 £ m	March 31 1991 £m
Net sales revenue	1 508.7	1 462.8	2988.3
Profit before taxation	285.5	267.2	596.1
Net profit attributable to unitholders before extraordinary item	87.1	75.8	177.3
Net profit attributable to unitholders	120.8	75.8	177.3
Unitholders' funds	1 196.2	990.0	1 141.0
Earnings per unit	£ 151.70	£ 132.00	£ 308.70

The results for the period have been achieved against a background of difficult trading conditions resulting from the depressed economic climate. Nevertheless, consolidated operating profit increased by 4.7% from £ 249.4 million to £ 261.2 million. Net profit attributable to unitholders - before the extraordinary gain resulting from the sale of the Group's investment in TransAtlantic Holdings PLC - increased by

Richemont operates in the fields of lobacco products and luxury goods. Richemont's tobacco interests are held through Rothmans International p.Lc., whose group operating companies produce a wide range of cigarettes, cigars and smoking tobaccos. Its investments in the luxury goods industry are held through its controlling interests in Cartier Monde SA, including Cartier, Piaget and Baume & Mercier, and Dunhill Holdings PLC, which includes Affred Dunhill, Montblanc and Chloé.

Copies of the interim report may be obtained from the Company Secretary at the addresses given below:

Compagnie Financière Richemont AG Weinbergstrasse 5 6300 Zug, Switzerland Telephone: (41) 42 - 21 03 64 Telefax: (41) 42 - 21 71 02

Richemont International Limited 15 Hill Street London W1X 7FB, England Telephone: (44) 71 - 499 2539 Telefax; (44) 71 - 491 0524

Okuma slides to Y7.2bn

By Steven Butler in Tokyo

OKUMA, the Japanese machine tool-maker, suffered an across-the-board decline in sales which resulted in a 22.2 per cent decline in pre-tax profits to Y7.2bn (\$55.5m) in the six months to the end of

September. Sales were off 7.9 per cent to Okuma blamed the decline

on the slowdown in capital spending in Japan, the US and Europe and warned that busihalf of the fiscal year were likely to become more severe. Net earnings fell 26.3 per cent to Y2.59bn. The interim

from Y3.25. • Makita, the electric tool-maker, reported a 20.9 per cent rise in pre-tax profits during the first six months of the fiscal year to Y7.49bn. Sales rose 6.2 per cent to Y64.4bn and exports rose 8.4 per cent to

Operating profits fell 21.2 per cent to Y8.56bn. Makita blamed the decline on the high value

of the yen, higher labour costs, nd management expenses. Net earnings were up 32.2 per cent to Y4.24bn. An interim dividend was declared at Y9, unchanged from a year ago.

Australian banks subdued

By Kevin Brown in Sydney

THE REPORTING season for Australia's leading banks closed yesterday with subdued, but sharply different, results from National Australia Bank (NAB) and Westpac Banking In line with earlier announcements from the Com-

monwealth Bank and Australia and New Zealand Banking Corporation (ANZ), both banks blamed recession and bad debts for a fall in profitability. However, National Australia Bank said net profits fell only 6.1 per cent to A\$730m (\$567.8m), the smallest decline reported by any of the four big banks, Westpac said net profits fell 30 per cent to A\$476m. Sir Eric Neal, Westpac chair-

man, said the lower profit was the result of "one of the worst recessionary periods in Austra-lia's economic history". Mr Don Argus, NAB's managing director, said the bank's result was "acceptable" in view of adverse trading conditions. Both banks said profits had been reduced by provisions against bad and doubtful debts. NAB charged A\$955m

against profits, an increase of

46 per cent, and reported an

increase in non-accrual loans of 113 per cent to A\$2.15bn. Westpac said the charge fell 12 per cent to A\$1.05bn, but revealed a rise of 52 per cent in non-accrual loans to A\$5.2bn. NAB said Australian trading and savings bank operations made a net operating profit of

A\$536.5m, up 19.4 per cent. Its
UK and Irish banks - which
include the Clydesdale, Northern, Yorkshire and National Irish - posted a 1.1 per cent increase to A\$283m.8m. The bank said the performance of the British and Irish banks was "satisfactory" in the light of a difficult operating environment in the British

isles. The result included the first full-year contribution from Yorkshire Bank, which made a profit of A\$116m. NAB said its profits were reduced by a loss of A\$72m incurred by Custom Credit, its Australian finance arm, which made a profit of A\$9.6m in the

previous year. The loss was caused principally by an increase in bad debts from A\$82m to A\$159m. The bank said the operating environment was expected to remain "difficult" because of continuing

ing property values and a severe fall in farm incomes. The directors declared a final dividend of 23 cents, fully franked, making a total of 45 cents compared with 55 cents in 1989-90. Westpac said its decline in profits was partly caused by

the first loss incurred in 65 years by Australian Guarantee Corporation (AGC), its finance arm, which lost A\$118m. Westpac General Finance, the bank's UK finance arm, lost a more than 43 per cent of its total charge for bad and doubtful dents originated from the two finance companies. The directors announced a

final dividend of 12.5 cents, fully franked, making a total of 27.5 cents, against 52.5 cents. Bank shares closed higher on the Australian Stock Exchange last night, reflecting hopes that the economy will move into economic recovery

ANZ was 34 cents higher at A\$4.52, NAB 15 cents up at A\$8.00, Westpac II cents higher at A\$4.88, and Commonwealth up 12 at A\$7.62.

The serial numbers of the 10 per cent. Bonds so drawn for redemption are as follows:

00047 00647 01676 02786 03385 04497 05237 06170 07145 08076 09158 00054 00671 01682 02771 02400 04503 08258 06253 07165 08094 08204 00068 00389 01683 02788 03433 04504 05285 06268 07172 08135 09213 00073 00698 01687 02799 02436 04516 05307 06275 07190 08144 05218 00064 00395 01687 02799 02436 04516 05307 06275 07190 08144 05218 00064 00395 01687 02799 02436 04516 05307 06275 07190 08144 05218 00064 00395 01682 02605 03453 04525 05315 06277 07240 06211 05285 00095 00994 01758 02818 02810 05050 04525 05315 06277 07249 06211 05285 00095 00997 01819 02244 05238 04566 05327 06297 07249 06217 09299 00125 00096 01970 01819 02244 05238 04566 05324 06334 07253 06229 09296 00132 00997 01819 02244 05328 04566 05324 06334 07253 06229 0329 09297 00140 00972 01830 02281 03555 04572 05327 06379 07304 06257 05313 00200 00990 01865 02285 03589 04560 05371 06440 07220 06222 030990 01640 00972 01830 02283 03569 04560 05371 06440 07724 06222 03319 00220 000990 01867 02286 03691 03680 04560 02332 06404 07724 06222 03300 03340 000970 01947 02284 03599 04611 05390 04737 07727 02300 03340 00229 01046 01908 02285 03861 04651 05390 0473 07727 02300 03340 00248 01072 01929 02486 03590 04611 05390 0473 07727 02300 03340 00248 01072 01929 02486 03961 04660 05474 06285 07444 03300 03334 00248 01072 01929 02486 03960 04660 05474 06850 07444 0330 0330 03340 01072 01924 02285 03618 04651 05390 04730 04860 04749 04870 04880 04750 00259 01107 02224 02290 03568 04650 05474 06650 07474 04831 09481 00265 01107 02224 02290 03568 03769 04660 05474 06660 07743 04831 09481 00265 01107 02224 02290 03568 03568 04560 05560 05660 07443 04831 09481 00265 01107 02204 02090 03750 03950 offset by non-operating profits, writes Steven Butler in

Kredietbank N.V. high real rates of interest, fall-

London EC4N 7HA

Sociedad de Crédito Hipotecario Bansander, S.A.

a 100% subsidiary of

Banco Santander

has sold residential mortgage participation certificates ("participaciones hipotecarias") to

Sociedad Española de Titulización I, S.A.

which has simultaneously issued 12,750,000,000 Ptas of

Obligaciones Simples Garantizadas con Prenda sobre Participaciones Hipotecarias, due March 15, 2008.

The Bonds were rated "AA" and "Aa2" and have been fully underwritten by

Banco Santander

We acted as the financial adviser to Banco Santander and assisted in the negotiations leading to this transaction.

Goldman Sachs International Limited



October 1991

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously sold, this announcement appears as a matter of record only.

New Issue

November 20, 1991

aeromexico

AEROVIAS DE MEXICO, S.A. DE C.V. (a company organized under the laws of the United Mexican States)

Global Coordinator

Nomura Securities International, Inc.

The offering was made in the United States under Rule 144A to Qualified Institutional Buyers and in Europe under Regulation S.

International Offering

7,069,469 American Depositary Shares (ADSs) Each Representing Ten Ordinary Participation Certificates Each Certificate Representing Financial Interests in One Share of Common Stock

Offer Price U.S.\$13.50 Per ADS

Nomura Securities International, Inc.

Bear, Stearns & Co. Inc.

Mexican Initial Public Offering

22,222,221 Ordinary Participation Certificates (CPOs)

Offer Price \$4,150 Mexican Pesos Per CPO

Operadora de Bolsa, S.A. de C.V.

INTERNATIONAL CAPITAL MARKETS

UK gilts fall sharply as sterling weakens further

By Simon London in London and Patrick Harverson in New York

UK government bonds fell sharply late yesterday after-noon as sterling continued to weaken on the foreign

exchange markets.

The December gilt futures contract on the London International Financial Futures Exchange fell to 94.12 in afterhours trading, down from an opening level of 95.04.

The benchmark 11% per cent

gilt maturing 2003/2007 closed down is of a point at 112% for a yield of 9.81 per cent. Sterling lost ground on the foreign exchange markets, trading down about 1/2 a pfennig against the D-Mark to DM2.8675 in late afternoon. Earlier, the UK currency

benefited from the decision of the German authorities not to raise official interest rates. However, a weakening of the peseta, the strongest currency within the European exchange

GOVERNMENT BONDS

rate mechanism, lowered the

"floor" for sterling, the weakest currency, from DM2.8550 to DM2.84. The UK currency was

hit by a wave of selling. The weakness of sterling dis-suaded overseas investors from entering the gilts market, increasing the nervousness ahead of next week's auction of £1.5bn 20-year stock.

rise in US initial jobless claims data pushed bond prices higher across the board in New York yesterday.

yesterday.

By midday, the benchmark
30-year Treasury issue was up
at 1014, yielding 7.888 per
cent. The two-year note was even firmer, up 1/2 at 101, yield-

NORWEGIAN authorities said

they were assessing a plea from credit institutions for state backing due to a plunge

in bond prices and general instability in the finance sector, Renter reports.

"The authorities will give the market time to calm

down," Mr Hermod Skaanland, the central bank governor, said after a meeting with the Asso-

ciation of Norwegian Mortgage

BENCHMARK GOVERNMENT BONDS Yield 960 ego 9.76 9.82 10.08 AUSTRALIA 9.000 06/01 99.4500 -0.050 9.06 9.02 9.08 8.62 8.49 8.92 8,500 04/02 99,2000 +0.050 8.000 11/00 100.4200 +0.050 8.83 8.84 8.83 8.500 11/96 97.8965 -0.074 9.500 01/01 104.0500 +0.030 8.24 8.21 8.23 8.25 09/01 100.0600 -0.040 12.50 12.44 12.35 12,000 06/01 96,7600 -0.070 4,800 05/98 92,6590 +0,189 6,400 03/00 102,7829 +0,171 6.500 03/01 96.5800 ÷0.030 8.72 8.70 NETHERLANDS 11,900 07/96 99.8300 +0.220 11,89 11.72 11.53 10,000 11/95 100-22 -5/32 10,000 02/01 101-04 -15/32 9,000 10/08 95-05 -17/32 7.33 7.95 7,89 7.82 7,500 11/01 101-08 +7/32 8,000 11/21 101-09 +1/32

this month did not alter perceptions that the next

movement in German interest rates was likely to be up.

Next week's cost-of-living

rose at a year-on-year rate of 4 per cent during November, up

from 3.5 per cent during

the first time since last week's

cut in the official discount

the financial system in Nor-way, said Mr Terje Ligott, of

the Association of Norwegian Mortgage Banks.

tutions sought special liquidity loans from the central bank in

banks as well as a reinforcement of state guarantees already given to back up the ailing finance sector.

The Norwegian credit insti-

London closing, "denotes New York morning sees! Prices: US, UK in 32nds, others in decimal maturity range was the report from the Labor department of a 39,000 jump in the number of people claiming state unem-ployment insurance during the

data from the federal states is likely to confirm that inflation is accelerating. Analysis are expecting that retail prices first week of November. The increase was way above market expectations, and was the latest evidence of a serious deterioration in the jobs mar-ket and of continued aluggish-ness in the economy.

■ GERMAN government bonds drifted lower yesterday despite the decision of the Bundesbank council not to raise official

The December government bond future on the London International Financial Futures Exchange closed at 86.17, down from an opening level of 86.24. Volume was fairly thin at 26,500 contracts. The benchmark 8.25 per cent cash bund closed on a yield of

8.23 per cent, from 8.22 per cent on Tuesday. German markets were closed for a public holiday on Wednesday.

Analysts commented that

ing 5.430 per cent.

The news that sparked buying of Treasuries across the leave credit policy unchanged

Banks, according to the

Finance Ministry.
Two market-makers said

they had temporarily pulled out of market-making in domestic bank and credit insti-

tution bonds because of a vola-

The volatility was triggered by massive losses in the bank-ing sector. "What we're asking for is that the authori-ties... reinforce the guaran-

Credit groups call for state backing

tile market.

approves banking reform act

By Ariane Genillard

CZECHOSLOVAKIA'S federal government has approved a long-awaited banking act which will alleviate fears that banking reforms are lagging behind the country's ambitious privatisation pro-

The law, aimed at establishing a modern, competitive banking sector, will be presented to the federal parliament

early next month.

Under the legislation, the Under the legislation, the state will retain a 40 to 50 per cent equity stake in the commercial banks. These banks, which include two large saving banks, were hived off from the banks, were hived off from the central bank earlier this year. Foreign investors will be allowed to buy up to 25 per cent of any bank's equity, but no one investor

allowed to hold more than a 16 per cent share. They will not face any restrictions, however, for smaller banks.
The relatively conservative The relatively conservative law aims to allay fears that foreign capital will dominate the sector and, in particular, worries that Czechoslovak banks could be dominated by

■ JAPANESE government bonds gained ground yesterday Germany, the largest industrial investor so far in the country.

The law also sets out the market interest rates and more stable conditions in other legal framework for privatis-ing the banks, which have until the end of the year to present their privatisation prointernational markets.

The benchmark No 129 bond

closed the Tokyo day on a yield of 5.89 per cent, after opening at 5.91 per cent. The December osals to the government These are expected to include the distribution of bond futures contract opened at 99.90 and closed at 99.99. equity to citizens in the form The Bank of Japan injected liquidity at its regular money of vouchers, which are con-vertible into tradeable shares market operations, leading to once the privatisation procall money interest rates falling below 6.3 per cent for

gramme is completed.

The government is hoping privatisation of the country's large banks - to take effect by early next spring - will force

The new law will seek to allay fears that Czechoslovak banks could be dominated by Germany

them to adopt competitive

lending policies.
They do not compete with Their source of finance continnes to be guaranteed by the savings banks whose deposit are, in turn, guarantees.

The changes will also partly transfer responsibility for industrial restructuring from the state to the banks. The government attempted to do this earlier this year with the creation of a 50bn koruna (\$1.7bn) fund which will issue bonds to the commercial banks. The bonds will be con-vertible into shares of debter

companies.
Banks will then use the Banks will then use the bonds to write-off non-performing loans, and the decision as to which company can benefit from the debt-to-equity swap will lie with the banks. Critics say 50bn koruna is insufficient to recapitalise the banks whose balance sheets are burdened with bad debts.

Mr. Jan Vit director of

Mr Jan Vit, director of Czechoslovakia's state bank, said bad debts owned by enterprises to banks were estimated to be between 100bn and 200hn koruna — four times the amount issued to the banks by the government for the write-

"It remains to be seen how the banks will become modern lenders acting on a commer-cial basis, even after they are privatised," says a local

"They are totally untrained when it comes to assessing credit risk, let alone perceiving which industries should be given the benefit of a debt

"But the government caught between the need to reform the sector as fast as possible and the danger of a rapid privatisation which leaves little changed in terms of managerial skills."

Crédit Lyonnais in Hungarian venture.

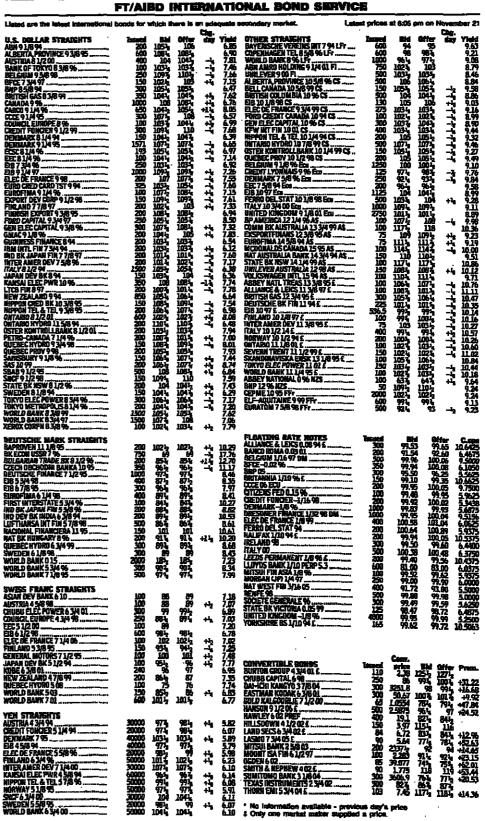
CREDIT Lyonnais of France said it was joining Hungary's leading commercial bank, Magyar Hitel Bank, in the creation of a joint banking venture, Reuter reports.

The new entity, to be called Credit Lyonnais Bank Hungary, will have initial capital of 1.4bn Torint (\$25.5m). Credit Lyonnais will provide 95 per cent of the

capital.

The bank will be invoived mainly in financing foreign trade and helping other joint ventures get off the ground in Hungary, but will also develop the domestic market for

Crédit Lyonnais has had i representative office in Budapest since January 1990.



INTERNATIONAL CAPITAL MARKETS

P_{rague} reform an

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2002

Agency loans to eastern Europe gather pace

LENDING by supranational agencies to eastern Europe is gathering pace despite a short-age of viable projects to

Mr Ernst-Gunther Broder. president of the European investment Bank (EIB), said yesterday he was confident the bank would lend Ecul. The to the region by the end of 1993. the maximum allowed under a mandate by European finance ministers.

The EIB has disbursed Ecu285m to projects in Hungary, Poland and Romania

since lending began last year.
In addition to project finance for telecommunications, transport and energy schemes, the KIB has agree credit lines with three local banks under its "global loans" programme.
The Inter-Europa Bank in
Hungary, the Polish Development Bank and the Export
Development Bank of Poland have each agreed global loans which will be passed on to small and medium-sized enterprises in those countries.

The EIB is also mandated to lend into Bulgaria and Czecho-slovakia, although no projects have been approved. However, the bank is considering back-ing Volkswagen's planned DM9bn capital investment pro-gramme in Skoda, the Czecho-

its acquired earlier this year. However, it remains unclear whether the EIB will continue lending to eastern Europe when its mandate expires in 1993. It was granted before the establishment of the European Bank for Reconstruction and Development (EBRD), which started lending this year.

Mr Bröder said the EIB had not pressed for permission to lend to eastern Europe but was happy to carry out the wishes of EC finance ministers. The EBRD board of directors

will examine six proposed loans to eastern European countries next week. The six projects are the first batch to be given full board consider-ation since the bank's initial four financings were agreed in

So far, the EBRD has approved a \$50m financing for a heating project in Poland, a \$10m equity investment in a Czechoslovakian country fund, and a DMIOm loan to a packaging project in Mynesty Iv. ing project in Hungary. In addition, NMB Postbank, the authon, Near Postnank, the Dutch financial institution, has agreed a \$100m agency line with the EBRD. Like the EIB global loans programme, the funds will be used to finance small and medium-sized enterprises, mainly in Poland.

Philadelphia launches **D-Mark/Yen option**

Exchange, the world's largest market for exchange-traded currency options, today launches a D-Mark/Japanese yen option that is the first US securities exchange-traded instrument not to be settled in

The cross rate option will settle premium in yen and con-tract settlement will involve the transfer of yen for

Exchange officials said they believed that cross-rates were the direction in which the market was moving. They intend

THE Philadelphia Stock to follow the yen/D-Mark cross Exchange, the world's largest with sterling/D-Mark and sterling/yen cross-rate options.
The sterling cross-rates have already been approved by the Securities and Exchange Com-

> Swiss Bank Corporation will act as a specialist marketmaker for the new DM/Y option, and Commerzbank and Mitsubishi Bank have agreed to act as lead banks.
> As lead banks they will han-

> dle the yen balances for the Options Clearing Corporation, collect premiums and extend credit facilities to the OCC.

Warburg opens a fresh volume in BT book-building

Hugo Dixon and Richard Waters examine the blind public auction method being adopted for the sale

A week, indicative bids began to trickle into the offices of SG Warburg, adviser to the UK government on the forthcoming sale of half its near-50 per cent stake in

By yesterday, this trickle had developed into a steady (though still modest) flow, most from UK institutions. It was enough to prompt Mr Francis Maude, financial secretary to the Treasury, to say: "Indications of interest of volume, price sensitivity and quality are well in excess of our expectations for this early

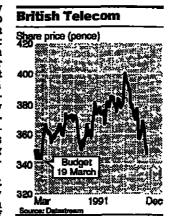
stage."
Two weeks from now, Warburg hopes to have converted that flow of indicative interest into a worldwide deluge of firmorders, completing one of the largest and most complex offers of its type ever staged.
The sort of book-building that began on BT's £5bn share sale this week may be common in international equity issues and in the eurobond markets,

T THE start of this mounted for a domestic equity week, indicative bids UK issue. It is designed to overcome two weaknesses in the usual UK issuing process: the size of the discount which issuers feel they have to offer to ensure success, and the cost of underwriting (usually 1% per cent in the UK). Both practices have proved politically damaging for the UK govern-ment, leaving it open to accu-sations of selling public assets on the cheap, and of paying huge amounts of money unnec-

essarily to underwriters.

Should it prove a success, it could help to transform equity issuance in the UK - although many advisers in the City of London contend that the process is not well-suited to initial public offerings. According to this view, book-building works best when there is an existing market in the shares, since this provides a reference point against which investors can frame their bids.

The book-building process being used for BT is based on a form of blind public auction in



give indications of their bidding intentions over a threeweek period before making a formal bid on the final day. Although only the formal bid is binding, the global book-run-ner for the issue - Warburg Securities - says it will allo-cate shares in part on the basis of the indicative bids received in the run-up to the issue. That way, it hopes to elicit competitive bids from institutional investors and, by feeding infor-mation about bidding patterns back to the investors, to stimulate competition between insti-

When the book-building gets into full swing, indicative blds submitted to 10 regional co-ordinators around the world will be funnelled by private telephone line to a specially con-verted room in Warburg's headquarters. There, information of prices, volumes and institutions' names will be fed into a computer, to be used to produce an overall indication of how demand is progressing. Final bids are due by 5.30pm on Friday, December 6: they

tutions around the world.

will be analysed over the week-end, before a final strike price is set and allocations decided on the Monday. That process will not be automated, though: it depends importantly on War-burg's views on which institutions have done most to shape the book in the build-up period. Indications of interest so far are understood to have come mainly from UK institutions. This reflects the obviously

greater interest of UK institutions (BT represents 4 to 5 per cent of the total capitalisation of the companies in the FT-SE 100 index), and the progress of

BT's global roadshow. Institutions have found three very different ways of showing an interest. The choice of which one they use could determine the amount of stock allocated to them when the issue finally closes. The first has been to submit indications of interest without mentioning a price. These submissions are likely to be frowned on over the coming days, since such blank signals do not help the price-formation mechanism which is intended to shape the

final strike price.

he second method has been for institutions to stipulate a price at which they would take shares. Those that have gone this route seem to be making a series of bids. For example, they might say they would be prepared to buy 50m shares at 360p, 70m at 355p and 100m at share price falling. One institu-tion said it had had to alter its bids after the 20p drop in the share price this week.

The third approach has been to indicate a fixed premium over BT's market price that an institution is prepared to pay. The bids are at above market price because the shares are to be paid for in instalments: the value of deferring payment is generally accepted to be

between 20p and 25p.
One institution said it understood that most bids were being made at a premium of up to 10p. Legal & General said it had put in a series of bids with premiums of 5p and above.

Whether these bids help to establish a "true" price depends in part on the efficiency of the market against which institutions are pricing their bids. Trading volume in BT shares in recent days has been below its norm; however, the government's advisers say trading is still active enough to ensure a true market.

Market will need time to digest large Swedish kronor deal

THE LARGEST deal to date in the Swedish kronor sector of the Eurobond market is likely to take some time to digest, according to market partici-

The SKr1bn deal for Osterreichische Kontrollbank was considered rather aggressively priced at a yield spread of 44

INTERNATIONAL BONDS

basis points above the 1020 government bond, but the tri-ple-A rated name will appeal to German and Austrian accounts, dealers said.

The Swedish kronor came under some pressure last week, after the Finnish markka was devalued. Both currencies were linked to the Ecu earlier this

However, most investors are confident the Swedish kronor is a different case. Indeed, closer linkage to the Ecu has been suggested as possible, by politicians as well as central bankers, through associate membership of the exchange rate mechanism. The market is still seen as offering a play on "convergence" as European interest rates move closer in

The deal was still in syndicate at the end of trading on Thursday.

Meanwhile, Finland braved the Swiss market, after its debt was placed under review for possible downgrade following last week's devaluation. The deal was considered aggressively priced in view of the borrower's problems, but the issue held just inside fees. In the dollar sector, Crédit Lyonnais, the French bank,

NEW INTERNATIONAL BOND ISSUES US DOLLARS Credit Lyonnais(a)† live Finance(b)‡† Apasco(d)† Apasco(d)† JF Carlo A.E.C.(a)† Korea Int. Merchant Bk.(c)‡† D-MARKS Ford Motor Credit(a)† Total(a)† SWISS FRANCS Republic of Finland(a) ##1 Sinko Kogyo(e) ##9 873 10122 17g/11 Dalwa Europe 10% 101.325 1%/1.825 Nomura Int. 93 2/114 Westpac Banking 101.95

**Private placement. §Convertible. 4With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 60bp over 6-month Libor. Non-callable. c) Puttable if combined shareholding of Hong & Shanghai Bank and Commerchank falls below 30%. Coupon pays 50bp ever 6-month Libor. d) Puttable at par if the shareholding by Holderbank falls below 50%. Callable 12/94 at 102.27%, 6/95 at 103%, 12/95 at 102.22%, and 6/96 at 102.85%. e) Callable 12/12/94 at raised \$250m through an issue dollar securities, the deal met DM200m 10-year deal, as invessteady demand, mainly from

of three-year bonds.

The deal was considered attractively priced at a yield spread of 55 basis points above spread of 55 basis points above the comparable Treasury, with an option for investors to increase their holdings by 20 per cent by November 27 at the initial reoffer price.

Although investors have

institutional investors, and was quoted at 99.80, above its re-offer price of 99.76, helped by

the strong tone in the US.

Two European companies tapped the D-Mark sector yesterday, taking advantage of better swap opportunities. Ford's DM200m six-year deal performed better than Total's

tors showed a preference for the shorter maturity and the stronger credit.

Elsewhere, Apasco, the Mexican cement company, launched its first straight dollar deal, a \$100m five-year transaction by Swiss Bank Corporation. The deal was priced to yield 357 basis points above the compa-

Second Mexico company listed on NYSE

By Damian Fraser in Mexico City

VITRO has become the second Mexican company to be listed on the New York Stock Exchange (NYSE) after its suc-cessful international share offering of \$228m earlier this

The offering, which was over-subscribed, is Mexico's second largest, following the \$2.2bn stock offering in May of Telmex, the telephone company which is the only other Mexican company listed on the

Vitro successfully placed 6.5m American depository receipts in the US, and 2.5m common shares in Mexico at

\$25.375 a share. Vitro is Mexico's largest conglomerate, and one of the world's leading glass manufac-turers. It has long had ambi-tions to be considered a North American, rather than Mexi-

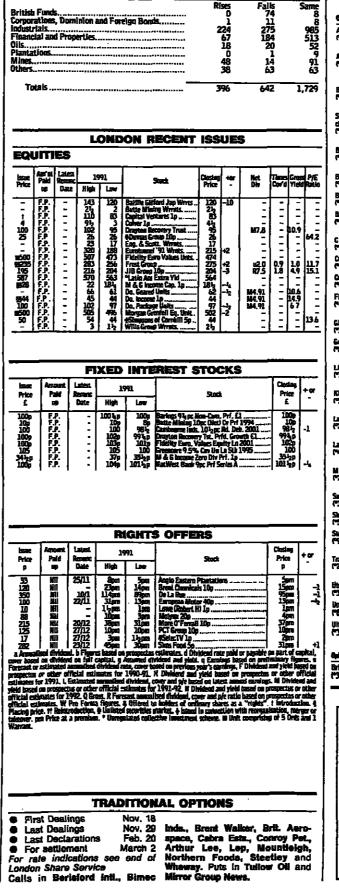
can, company. In 1989, Vitro bought the US glass company Anchor Glass

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

FT-ACTUARIES SHARE INDICES © The Financial Times Ltd 1991. Compiled by the Financial Times Ltd Mon Year Nov ago 18 (approx) **EQUITY GROUPS** Thursday November 21 1991 & SUB-SECTIONS Figures in parentheses show number of stocks per section of bases Index No. Clarge Change (Max) Yield's (Act) Ratio to date (Act) Index No. In index No. ladex No. index No. index No. 5 Electronics (25) B Metals and Metal Forming (9) 9 Motors (12) 10 Other Industrial Materials (20) 21 COMSUMER GROUP (190) 22 Brewers and Distillers (22) 25 Food Manufacturing (19) 26 Food Retailing (17) 27 Health and Household (23) 29 Hotels and Leisure (24) 30 Media (26) 31 Packaging, Paper & Printing (17) 34 Stores (32) 48 Miscellamous (23) ... 49 IMBUSTRIAL GROUP (481)... 51 Oil & Gas (19)..... 59 500 SHARE INDEX (508). 68 Merchant Banks (7) 71 Investment Trusts (70) | Index | Day's | Day's | Day's | Nov | Hor | Ho FT-SE 100 SHARE INDEXS

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UK COMPANY NEWS

Cable and Wireless advances 17%

By Jane Fuller

"WE ARE not launching a rights issue for £500m or any other amount," said Lord Young, chairman of Cable and Wireless, the telecommunications group which yesterday announced a 17 per cent increase in interim pre-tax profit to £351m.

After rights issue rumours had contributed to a 42p fall in the share price over Tuesday and Wednesday, the absence of one helped the group regain
14p yesterday to close at 527p.
Lord Young said there was
no reason for a rights issue when gearing on September 30 was no higher than the 14 per

cent prevailing at the year-end. C and W's capital spending in the first half increased to £398m (£337m), about 40 per cent of the £1bn planned for the full year. That figure was expected to be repeated in each

of the next two years. Mercury Communications, BT's main rival in the UK, would account for about half the spending, adding to the £1.5bn aiready invested since its 1984 launch. Mercury made a first-half trading profit of £69m (£50m) on sales of £439m

Mr Rod Olsen, C and W director of finance and busi-ness planning, said that as a proportion of turnover, capital spending had fallen from 32 per cent in 1988 to 25 per cent this year. It would come down into the teens within the next five years.

Turnover in the six months to September 30 rose 24 per cent to £1.57bn (£1.26bn). Trading profit of £348m was 21 per cent ahead, while interest costs rose to £35m (£23m).
With the group operating in

more than 50 countries, C and W said its three pronged strategy was to provide: premium services for business customers. The recently

would carry a range of voice and data services;

basic networks in the large parts of the world still in need of them - 80 per cent of the population does not have a

completed global digital high-

way, linking business centres.

• mobile communications. including investing in the next generation of pocket phones. Mercury Personal Communica tions had joined forces with Unitel to share the cost of

eveloping a network.

Nearly half the turnover came from international telephone services, whereas domestic services grew more quickly, adding 36 per cent to



Lord Young: said there was no reason for a rights issue

In geographic terms, Asia and the Pacific accounted for the largest slice with £698m (£599m) turnover. Hong Kong

make a half-yearly total of £237m (£190m). Its traffic with China grew by 37 per cent. Earnings per share grew 15 per cent to 17.3p (15.1p). The interim dividend is raised to

No salary for Sir Lawrie | Strong recovery by Hogg while Barratt is in the red

By Jane Fuller

SIR LAWRIE Barratt, who this summer returned from three years of retirement to lead Bartatt Developments, told share-holders yesterday that he was belping to reduce the group's losses by taking no salary.

"No profit, no pay," he said, which could leave him without

until next summer. His predecessor Mr John Swanson, who resigned as chairman in July, received £242,471 last year. Barratt, the UK's third larg-

est housebuilder, made a pretax loss of £106m in the year to June 30. Sir Lawrie, 64, told the annual meeting yesterday that the minimum target was to break even this year. Losses were being stemmed and "we should move into profit in the next month or two

He also detailed the group's debt reduction, from £231m in July to £178m - compared with a peak of £290m last November. Shareholders' funds stood at £171m (£271m) at the

A 38 per cent cut in the 2,000-strong stock of unsold houses had been an important factor in reducing borrowings. The target was to bring down gear-ing to 50 per cent by next June, and Sir Lawrie stressed the management's commitment to do this without a rights issue. Between £30 and £35m of debt lies in the US, where the group has retrenched in California. Negotiations with US bankers were still going on, but he anticipated no problems. Banking covenants in the UK had already been renegoti-

Sir Lawrie expressed some the UK housing market. Affordability had returned with house prices back at 3.5 times incomes, and mortgage rates

Barratt sold just under 5.000 houses last year and expected the same again this year. "We have more than 2,000 advance

Robinson to over £10m

By David Churchill, Leisure Industries Correspondent

HOGG ROBINSON, the travel, transport and financial services group, yesterday reported a strong recovery in its travel operations after the slump caused by the Gulf war. Pre-tax profits for the six

months to September 30 rose by almost a quarter from £8.74m to £10.9m. Turnover increased from £48.6m to £52m. Spearheading the profits growth was a strong surge from Hogg's leisure and business travel operations with trading profits up by 59 per cent to £5.53m (£3.47m). In the full year to end March 1991 the

impact of the Gulf war saw the

division move into a £2.63m Mr Brian Perry, Hogg chair-man, said the profits growth from travel was helped by a cost reduction programme started in the closing months

Bureau de change operations were now established in most high street travel agencies and were "making a satisfactory contribution to net profits". Growth in business travel was helped by the addition of several new corporate clients, although Mr Perry said that many corporate travel budgets remained on a tight rein.

Hogg's financial services division achieved a 41 per cent trading profits increase, from £1.56m to £2.21m due to solid growth from all areas.

The transport division had experienced a quiet start to the year with trading profits up 11 per cent to £2.11m (£1.90m). Mr Perry said that the £6.8m acquisition earlier this month of the Dens Group would make a small contribution to earnings in the remaining months of the financial year.

For the group as a whole, Mr Perry said that while economic recovery was likely to be slow, he was "optimistic of a suc-cessful outcome for the year".

The interim dividend is lifted

Loan loss provisions slow down Yorkshire Bank

By David Barchard

YORKSHIRE Bank, the English subsidiary of the National Australia Bank Group, yesterday became the latest bank to reveal a slowdown in its profits because of

conversion requests.

conversion requests.

year to September 30 1991 as rather disappointing because of bad debts. Without provisions, the 27 per cent target set by National Australia bank, Mr pre-tax profits of £107m would have been up by 23 per cent on

the previous twelve months.

The after tax return on loan loss provisions.

Mr Graham Sunderland, general manager, described the 22.2 per cent, somewhat below

IRELL

SOCIETE INTERNATIONALE

PIRELLI S.A. - BASLE

CORRECTION

Pirelli Financial Services Company N.V.

7% US \$ 50 Million

Guaranteed Convertible Bonds 1985-1995

In accordance with condition 13 (f) (i) of the first

schedule of the Trust Deed for the above

mentioned convertible bonds, notice is hereby

given to the Bondholders that the General Meeting

of the Shareholders of Société Internationale Pirelli

S.A. will be held in Basle on Monday December 16,

Requests for conversion into ordinary shares filed

on/or before December 9, 1991 shall be submitted

to the above mentioned General Meeting for the

creation of the shares needed to satisfy the

SOCIETE INTERNATIONALE

PIRELLI S.A. - BASLE

CORRECTION

Pirelli UK international Finance B.V.

71/2% € 40 Million Guaranteed

Convertible Bonds 1985-2000

In accordance with condition 11 (B) (f) (i) of the first

schedule of the Trust Deed for the above

mentioned convertible bonds, notice is hereby

given to the Bondholders that the General Meeting

of the Shareholders of Société Internationale Pirelli

S.A. will be held in Basie on Monday December 16,

Requests for conversion into ordinary shares filed

on/or before December 9, 1991 shall be submitted

to the above mentioned General Meeting for the

creation of the shares needed to satisfy the

Sunderland said. Because Yorkshire Bank has

moved its year end to Septem-ber since joining the National Australia Bank group in February 1990, figures from only the previous nine month period in

International Depositary Receipt issued by Aorgan Gouranty Trast Company New York Payment of compon number 38 of the International Depository Receipts will be made in US dellays on or after November 22nd, 1991 at the rate of USS 0.0973 per crefforty share at the following officers of Morpan Generally Treat Company of New York:

FIRST AUSTRALIA PRIME

COMPANY LIMITED

Non York, 30, West Breadersy
 Bressels, 35, Avenue des Arts
 London, 1, Angel Count
 President, 44/46 Maister Landstonen

The dividend is not subject to any Australian ton. The Belgiant withhelding tax will be applied by a LDR helders presenting their coupons to the offices of the Depositary without the appropriate non-Belgian resident

posteny : Margan Gennaty Trust. Company of New York 35, Awana das Arts, 1940 Bau

SAMSUNG ELECTRONICS CO. LTD (a company incorporated with limited liability in the Republic of Korea) US \$ 100,000,000 Global Depositary Receipts
NOTICE IS HEREBY GIVEN to holders of GDRs that, persuant to the Article 16-3 Clause 3 of the Regulation pertaining to Financia

Management of Listed Corporations, the issue price for the Rights Offering has been ljusted from 27.100 Korean Wor (Please refer to the Notice on October 23, 1991) to 22,700 Korean Won per share. ung Electronics Co. Ltd

BRITANNIA BUILDING SOCIETY

£100,000,000 Floating Rate Notes Due 1994

One 1994
In accordance with the terms and
conditions of the Notes, notice in
bereby given that for the three month
interest period from (and including)
21st November 1991 to (but
excluding) 21st February 1992 the
Notes will carry a rate of interest of
10.6625 per cent. per annum. The
relevant interest payment date will be
relevant interest payment date will be
£1,340.10 payable against surrender
of Coupon No. 7.

Hambros Bank Limited Agent Bank

1990 were offered for compari-

The charge for bad debts was £76.1m, up from £27.4m. Mr Sunderland said that though there would be a substantial bad debt charge in the present year, it would be lower than last year. Pre-tax profits were up

£14.9m on the previous nine month period, while total assets were £4.41bn. Liquid assets were down from £1.15bn in 1990 to £882.4m as the bank deliberately reduced its asset book in the present market. During the year, Yorkshire Bank gained 200,000 new current account customers and opened six new branches. Mr Sunderland said that the bank plans to continue expanding at around this number each year for the foreseeable future and could eventually reach a branch network of around 450. The cost/income ratio was 47.5 per cent. Mr Sunderland said the balance sheet remained strong with Tier 1 canital at 7.4 per cent and Tier 2 at 3.3 per cent of total assets.

Johnson Grp sells US arm for £3m

Johnson Group, the dry cleaning and textile rental company, yesterday announced the sale of its workwear manufacturing arm - Apparelmaster Design - to Angelica Corp nesses.

By Michiyo Nakamoto

ROTHMANS International, the

tobacco and luxury goods

group, warned that the compa-

ny's rate of earnings growth was likely to be lower in the second half, as it reported a 10

per cent rise in interim pre-tax

profits to £266m, against

Lord Swaythling, executive chairman, said that, with a 16

per cent rise in attributable

earnings, to £127.5m (£109.4m)

"the first six months were so good that we're being a little bit cautions about the second

Turnover for the six months

to September 30 was £1.18bn

(£1.15bn), including higher

tobacco sales of £1.09bn (£1.02bn). Interest income rose to £33.1m (£28.3m). However,

the trend of worldwide interest

rates was down, and as a com-pany with substantial cash "we

pay a little penalty", Lord Swaythling commented

per cent to £232.9m (£214.3m).

Operating profits grew by 9

£242.6m.

half".

Mr Terry Greer, chairman of Johnson, said that the disposal was part of the group's intention to focus on core busi-

This was supported by increased operating profits from the tobacco side of

£180.1m (£166.9m), stemming

from strength in the Far Rast

and growth in eastern Europe.

There were also contributions

from Theodorus Niemeyer, the

fine-cut and pipe tobacco com-

pany acquired in the previous financial year, and the remain-ing share capital of PJ Carroll,

Sales of luxury goods slipped

to £102m (£109m) as the weak

economic climate and the

decline in international travel

affected demand. Luxury prod-

uct sales fell to £102m (£109m).

the first half from a lower effective rate of tax at 36.2 per

The positive effects of a strong dollar were partly offset

by the strength of sterling

against other EMS currencies

during the period, reducing the

impact of exchange rate move-ments to a pre-tax profits con-

cent, against 38 per cent.

Rothmans also benefited in

which operates in Ireland.

Tussle over rig could cost former holders of Davy £54m

By Charles Leadbeater and Andrew Bolger

FORMER shareholders in Davy Corporation may not get their second payment from Trafalgar House, the conglom-erate which in June paid £114m for the troubled engineering group.
This is because of continu-

ing problems with the conversion of the Ocean Emerald drilling rig into an oil production platform, the project which cost Davy losses of £114m and, ultimately, its Trafalgar House's successful

offer was in two parts, of 50p and 45p per share, with the second instalment conditional on the completion of the proj-

The second payment, due next month, was depende Trafalgar House drawing on an £118m letter of credit from Midland & Scottish Resources

Midland & Scottish Resources (MSR), the rig operator.

MSR shares fell 22p to close at 30p yesterday, while Trafalgar shares lost 7p to 222p.

Sir Eric Parker, chairman of Trafalgar House, has written to former Davy shareholders saying that his company's efforts to obtain payment had been frustrated by a refinancing of the contract by MSR.

MSR told Trafalgar House on October 29 that it had

on October 29 that it had drawn up a plan to refinance the Emerald rig project, with Den norske Bank, the Norwe-gian bank, largely replacing several British clearing banks as the project's banker. Under the plan MSR offered Den norske Bank the rig as

security. However, this has jeopardised MSR's prospects of obtaining a so-called section 10, ship mortgage guarantee, from the Department of Trade and Industry. Only once the project was backed by this section. project was backen by this sec-tion 10 guarantee would Trafalgar House be in a posi-tion to draw upon the letter of credit with the project's bank-

Davy holders will only be paid the extra 45p they are owed if Trafalgar is able to draw upon the letter of credit. The DTI has said that in the absence of the rig as security for the section 10 guarant for the section to guarantee they would require a guarantee from what the department calls a "first class bank". Den norske Bank's shares fell

steeply during Wednesday's trading on the Oslo bourse after bank regulators criticised Norwegian banks recent The DTI has yet to grant the

section guarantee on the basis of Den norske Bank's involvenent in the scheme.

MSR has told Trafalgar that

under a clause in rig contract which relates to the letter of credit, Trafalgar would only be paid, after payments to the banks, once the rig was fully in production.

If MSR, the bankers and the DTI cannot agree the terms of the refinancing within the next few days it seems increasingly likely that the dispute could lead to protracted and expensive litigation over own-Trafalgar House will not

relinquish its legal title of ownership of the rig until it is presented with a satisfactory refinancing plan. MSR's chances of arranging a refi-nancing depends upon it gain-ing ownership of the rig, which is on location off Shetgroup at £51m. Jenbacher

It is thought that Trafalgar House's liability would be lim-ited to £65m if it was unable to

Telfos has been released from £1.3m of guarantee obliga-

Rothmans up 10% but cautious

Earnings per share rose to

Rothmans continues to wring

40p (34.4p) and the interim dividend is increased to 7.5p (6.8p). • COMMENT

tribution of 23m.

growth out of its tobacco operations by "managing the business properly," as Lord Swaythling puts it. The core tobacco side has proven resilient and although recovery will be slow, things are at least looking up for luxury products. A dividend yield of less than 2 per cent provides no support for the shares and there is some concern that they should be trading at a greater dis-count to underlying net asset value per share than the current 5 to 6 per cent. Nevertheless, full year pre-tax profits forecast at £590m gives only an average multiple of 13 times. A company with Rothmans' tight management and proven track record may perhaps be for-

Hostile bid prompts Racal to defreeze Chubb flotation plan

By Richard Gourlay

RACAL Electronics yesterday responded to Williams Holdings £657m bid by promising to demerge its Chuhb security

Sir Ernest Harrison, chairman of the electronics group, promised that the flotation would unlock value for shareholders in the way that the demerger of Vodafone, the cel-hilar telephone operator, had done for them in August. He said that splitting the business would also focus

attention on the restructuring that had taken place in Racal's this would also enhance its stock market valuation. Racal's announcement was not unexpected in the context

of Williams' hostile bid. But it reverses Racal's decision in July to put a Chubb flotation ice at least until At that time Sir Ernest said

the level of Racal Electronics debt - at last year-end £225m - meant that the cash-genera-tive Chubb would have to remain within the group until the board reviewed this year's

financial results. Sir Ernest said yesterday that stronger sales, operating profit and cash flow in the first half of the year meant debt had

been reduced and Racal was enjoying the benefits of its restructuring programme. "Racal's restructuring is now bearing fruit. Racal shareholders have absorbed its expense and should enjoy the undiluted

fruits," Sir Ernest said.
Williams, which has made
an all share offer, dismissed Racal's demerger plans saying it would leave Racal's shareholders with an investment in two poorly managed compaone of them heavily

Mr Brian McGowan, Williams chief executive, said he failed to see how simply splitting Racal could enhance shareholder value. Even Racal's own stockbrokers before the bid had forecast a loss for the year from its non-Chubb businesses, he

Racal's shareholders would have to decide whether the younger professional manage

ment of Williams was more likely to implement the necessary changes of Racal's cost structures than the existing

management.
Williams was yesterday understood to have appealed to the takeover panel to have the timetable for the bid restarted

as soon as possible.

On Wednesday it received approval from the Department Trade and Industry for the bid conditional on it selling Chubb's locks and safes busnesses in order to avoid increased industry concentra-

Racal said it had atready received a cash offer of £450m free of debt for Racal Cambb but had rejected the offer as

inadequate. Sir Ernest said the business had sales of £647m and pointed out that when Williams bought Yale and Valor, the security company, it had paid an amount equivalent to its turn-

Williams share price fell 3p vesterday to 315p while Racal

young child area Mothercare

was still the market leader but was suffering from not offering

an attractive enough selection

in the 2-8 year olds category.

Yesterday's share price rise showed a touching degree of

faith that seven less-dreadful-

than-expected weeks since the

interim results can be extrapo

lated into a recovery story at Storehouse's main outlet, BhS.

What about the perfidious

COMMENT

Storehouse runs up £14m loss

The division had been hit by

a convulsive management reor-ganisation as well as poor sales

after the Gulf war and £3m of VAT increases which it chose

to swallow. In the seven weeks

since the half-year end BhS, which accounts for more than

half of group sales, had begun to benefit from the new man-

its customers were and new

pricing policies.

Mr Julien said sales would improve as a result of changes

in sales and marketing policy

changes and not from a recov-ery in consumer demand.

At Habitat, losses of £9.7m were reduced to £7.5m as the

process of renovating the prod-uct line continued. Habitat had not achieved the right product

agement's reassessme

By Richard Gourlay

STOREHOUSE, the high street retailing group taking in BhS, Habitat and Mothercare, yesterday unveiled better-thanfeared losses of £13.9m pre-tax for the 28 weeks to October 12. BhS, formerly British Home Stores, plunged £7m into the red at the operating level compared with profits of £9.8m. The group's overall turn-

round, from profits of £7.3m in the comparable period, came after what Mr Michael Julien, the chief executive, called the worst recession in 20 years. Losses per share worked through at 2.3p against previous earnings of 1.30 but the company decided to maintain its 2.5p interim dividend. The

shares rose 9p to 99p.

Sales from continuing businesses fell 4 per cent to 5573.4m. Storehouse is highly operationally geared with every 1 per cent change in sales adding or subtracting 55m at the profit line.

Mr Julien said operational problems in the group had largely been addressed. He added that the 17m operating loss at BhS included costs of reorganisation, now largely completed.

ing loss of £2.9m compared with profits of £3.6m. The group had spent the last 18 months sorting out its stock control problems with new

computers and systems.

London inti Grpint Lowndes Lambertint Workandin Property Partsint Rothmans intiint

nothmans inti ... Storehouse

line and was also suffering from continuing recession in the housing market Habitat in France continued to be profitable. Mothercare ran up an operat-

In the pregnant mother and

English weather? It would not take too many snow-clogged sonably good five weeks to Christmas to be bury such optimism. The point is not frivolous. Storehouse has said more than once that it has sorted out its product range and has got its price levels correct. This time maybe it has, but the suspicion lingers that its share price is already dis-

counting a good year-end and that there is little room for disappointment. Forecasts for the full-year range around £7m pre-tax profits or 1.20 in profits, with recovery to £20m in 1993, or 3.3p, giving a prospec tive multiple of 30 times.

Telfos DIVIDENDS ANNOUNCED well down at £0.86m

TELFOS, railway rolling stock engineering reported profits of £861,000 pre-tax on turnover of £21,68m for the six months to September 29.

Although the profit figure was 75 per cent down on the £3.42m returned for the half year to June 30 1990 the directors said the core activities were trading profitably. Earnings per share amounted to 1.7p (7.7p) and the company is unable to pay an

interim dividend. Jenbacher Transportsysteme, the Austrian rolling stock company which controls 39 per cent of Telfos, earlier this month announced a rec-ommended cash offer of 115p per share valuing the UK

terday posted the offer docu-ment to Telfos shareholders. During the period, the company made an extraordinary provision of £901,000 covering financial reorganisation of industrial Securities, an Aus-tralian diversified company.

tions relating to IS for which it had made full provision. For the 15 months ended March 31 1991 Telfos incurred a pre-tax loss of £5.84m.

SHEARSON LEHMAN CMO. INC.

To the Holders of

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue, fOn capital increased by rights and/or acquisition issues. §USM stock. ACarries scrip option. For 15 months.

Dec 31

Series F, Class F-1 Floating Rate Bonds Due February 20, 2018

Pursuant to the Indenture dated as of February 1, 1985 between Shearson Lehman CMO, Inc. as Issuer and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period November 20, 1991 through February 19, 1992 as determined in accordance with the applicable provisions of the Indenture, is 5.6875% per annum. Amount of interest payable is \$92.9182722928 per \$10,000 principal amount.

SHEARSON LEHMAN CHIO, INC.

HMC FINANCING 3 PLC Class A Mortgage Backed Floating Rate Notes due December 2018

275,000,000

Notice is hereby given that there will be a principal payment of £1,362.88 per Note on the interest payment date December 12, 1991. The principal amount outstending per Note will be £50,847.42. London, Agent Bank By: The Chago Man November 22, 1991

It has been determined at a Board Meeting held on 19th November 1991, that the Interim Dividend for the year ended 31st March 1992 shall be paid to Shareholdest of record as of 30th September 1991 at the rate of 3.00 Yen per shorts on or after 10th December 1991. Semi-Annual report for six months ended 30th September 1991, will be available at Hambros Bunk Limited and Banque International a Luxembourg by the and of December 1991. Hambros Bank Limited

C. ITOH & CO. LIMITED

Citicorp Banking Corporation Ü.S.\$250,000,000

Guaranteed Floating Rate Subordinated Capital Notes
Due July 10, 1997
Unconditionally Guaranteed on a Subordinated Basis by
CITICORP

Notice is hereby given that the Rote of Interest has been fixed of 5.25% and that the interest payable on the relevant interest Payment Date, December 23, 1991 against Coupon No. 31 in respect of US\$10,000 nominal of the Notes will be US\$45.21. November 22, 1991 London

By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANCO

UK COMPANY NEWS

Electronic side behind Chloride slide to £1m

The state of the s

ts Racal to

itation plan

£14m los



CHLORIDE GROUP, one of the worst performing shares of the 1980s, yesterday said it intended to split the role of late chairman and chief executive after bringing out yet another set of disappointing results. Mr Ray Horrocks, chairman, said he would hand over his

executive responsibilities to Mr Keith Hodgkinson, 48, who has agreed to join Chloride next month from GEC, where he is currently deputy chairman of the course of t

terday this was always expec ted to be an interim arrangement. He added that

the subsequent restructuring of Chloride had largely been completed.

In March, Chloride sold most 6-1 of its former core business—
15 batteries—for £43.5m to
25d Hawker Siddeley, the engineer24 of ing group, and said it intended
10.5 to focus the now slimmedand down company on its electron-

ics side. 0. 3 Mr Horrocks said yesterday that the electronic companies that a very difficult first half, hise although their operating profit 261 of £244,000 was a substantial 31. improvement on last year's

second-half loss of £1.48m.
Overall, Chloride made a Sign months to September 30, down from £4.39m. Turnover from continuing operations was 4 per lower at £54.7m, the

into the red

A DOWNTURN at its Belgium offshoot left Thomas Locker

(Holdings), the engineer, £217,000 in the red at the interim stage, against profits of £1.05m. Mr David Barr, chair-

man, said the offshoot had been an important profit con-tributor last year but sales had fallen and it had incurred a

loss this time.
Turnover in the six months

to September 30 was £18.2m (£21.6m). Losses per share came out at 0.61p (earnings 1.64p) and the interim dividend

has been cut from 0.5p to 0.35p.

Black Arrow Group, the office furniture and leasing and

instalment finance company.

Black Arrow

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NEW YORK OF THE PARTY OF THE PA



Ray Horrocks (left) and Harold Musgrove: board changes

reduction resulting from depressed demand in most of the group's electronics mar-

The small profits were wiped out by a tax charge of £1.16m (£2.46), leading to an overall loss of £523,000, compared with a profit of £660,000.

a profit of 2650,000.

Losses per share were 0.2p (earnings of 0.3p).

No dividend is proposed for either the ordinary or preference shares, although the chairman said this would be reviewed in light of the full-

year results.

The emphasis within the electronics companies continued to be on cost reduction and improving efficiency. Com-pared with the second half of last year, emergency lighting had registered much better results and there was also an improvement in the perfor-

mance of power supplies. Chloride's international battery activities improved their performance, with operating profits up to £1.81m (£1.19m) on

increased turnover.
Mr Horrocks said: "The outlook remains uncertain and as yet there are no clear signs of a recovery in demand in our

main markets."

Mr Harold Musgrove, who
was in charge of industrial batteries until that division was
sold to Hawker, has left Chloride after briefly running power supplies and emergency lighting division. See Observer

NEWS DIGEST

Sales fell from £10.73m to

28.35m with office furniture

sales down 23 per cent to £7.68m (£9.92m). Mr Arnold

Edward, the chairman, said that while the decline in the

furniture division was less than the industry average it

was nonetheless disappointing.
The interim dividend is held at 0.5p, payable from earnings of 1.07p (1.14p) per share.

York Waterworks

Pre-tax profit at York Water-

works in the six months to September 30 was £1.17m on turnover of £3.4m. In the first half of 1990, the company has changed its year end, profits were £696,000 on turnover of

Turnover rose mainly as a result of an increase in tariffs from April 1 in line with infla-

tion plus the company's K fac-

Belgian arm amnounced a 21 per cent drop in pre-tax profits from £682,000 to £538,000 for the half year to

Andrew Baxter reports on the final round in Hawker Siddeley's struggle to fight off confident BTR

Confounding the onlookers with a fight to the finish

TINE WEEKS to the day since BTR, the indus-trial conglomerate, launched the UK's biggest takeover bid of the year by offering £1.5hn for Hawker Siddeley, the battle concludes this afternoon with the result still

hanging in the balance. in even though City sentiment has seemed set against it from the start. Last night Mr Alan Watkins, its managing direc-tor, said he believed the City institutions which will decide the company's fate today were showing a growing understand-ing of Hawker's industrial

Since the bid was announced on September 20, City analysis have been virtually unanimous in their comments. "It looks like a clincher to me," said one as BTR launched a bid valuing Hawker at around 20 times forecast earnings for the cur-

rent year.
BTR has remained confident virtually throughout, appear ing to lose its poise only once. Two weeks after its advisers were crowing privately that there was no reason to raise the bid, BTR did just that, prompting a 5 per cent fall in its shares as investors wondered why they should be pay-

Last night, however, there was a trace of last-minute anxiety in the BTR camp with the revelation that it owned or had

received acceptances for only 32.7 per cent of Hawker's

A defeat would be a sensational setback for BTR, coming after failed bids for Pilkington and Norton, the US materials

Victory for Hawker would be equally sensational. Its defence got off to an unsteady start even before the bid was announced. Its dismal profits statement the day before the bid, was, for some, tantamount to a suicide note for a company around which bid speculation had swirled for some months. The bid terms, viewed as

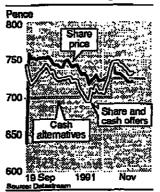
generous without being too generous, forced Hawker to choose an industrial battleground for its defence. But the results of the restructuring begun by Mr Watkins soon after he joined Hawker in 1989 were mainly evident in areas that have an indirect, long-term effect on financial performance - a new divi-sional structure, and initiatives to modernise and improve manufacturing systems.

manufacturing systems.

Consequently, far too much of the pre-Watkins Hawker, over-diversified, old-fashioned and sluggish, has remained despite decisions reached internally by the end of last year on a new strategic focus. Over the next three years, that would have involved the disposal of

tion on the three where

Hawker Siddeley



1991

Hawker had, or could build, a global or regional presence. The recession made it impos-sible to clinch the most urgent disposal, Hawker's sprawling general engineering division, its largest with sales of £509m last year. One management consultant believes things

might have been very different if Mr Watkins had been appointed 18 months earlier. But Hawker cannot blame everything on the recession. By keeping the key decisions of its 1990 strategic review under its hat, for whatever valid commercial reasons, their revela-tion on October 10 smacked of A defeat would be a

materials maker. Victory for Hawker would be equally sensational. Its dismal profits statement the day before the bid, was, for some, tantamount to a suicide note for a company around which bid speculation had swirled.

desperation. However much the Hawker camp argued that it was merely unveiling a previously agreed strategy, it handed BTR a propaganda victory on a plate.

Having already given some indications that it planned to retain and develop much of Hawker's business, BTR missed no opportunity to accuse its target of discarding accuse its target of discarding good businesses and trying to turn itself into an asset trader. Later, Hawker was to return to its plans for the three core businesses - electric motors,

industrial batteries, and aero-engine repair and over-

haul - just as BTR was to give more details of its plans. Meanwhile, sensational setback for attempted to turn the tables on its predator by querying its acquisition accounting prac-BTR, coming after acquisition accounting prac-failed bids for Pilking-tices and its recent profits ton and Norton, the US record. But the engineering

if it does win. It says it will put together a new global electrical engineering business with sales of more than £750m, uniting Hawker's electric motors transformers, switchgear and signalling businesses. group seemed unable to score points against BTR without conceding some itself. Hawker has criticised the On one of the key points of the debate - whether finanplan, saying the businesses and markets are all different, cially-driven conglomerates are but BTR believes it would cre-

ate commercial advantages which Hawker's present strucincapable of building engineer-ing businesses long-term - the propaganda from each side has ture fails to provide. Achieving these synergies would be a stern test of BTR's ability, derided by Hawker, to manage global businesses, especially as it is a novice in tended to cancel the other's out. Hawker went to considerable trouble to find examples of BTR acquisitions where, it claimed, long-term growth had been sacrificed to short-term electrical engineering. margin increases. BTR hit back with counter-examples.

electrical engineering.

One analyst believes BTR may at least have got an initial element of the plan right by deciding to retain Hawker's signalling activities. Hawker, in contrast, has argued that this business may be in good shape now, but would come under pressure from major European electrical engineer-Hawker needs to win the nawker needs to win the industrial case convincingly to have any hope of success and has been lobbying the institutions hard right up to yesterday afternoon. For individual shareholders, telephone hot-lines have been set up and European electrical engineer ing groups which would be bet-But the hid terms have

One particular industrial fea-

ture of BTR's plans for Hawker

is likely to command attention

ter placed to handle converg-ing trends in rail technology. forced Hawker to fight with BTR, of course, would face the same pressure, and may in recent days BTR had been so sure of victory that it brought the bid close forward have to emulate the long-term approach to investment of from next Tuesday to today, giving it more time before Christmas, it says, to get workcompanies which seem set to be its new competitors - Asea Christmas, it says, to get working on its new acquisition. Brown Boveri, Siemens and GEC Alsthom. But will it?

(£28.97m). Earnings per share were 12.68p (12.25p). A final dividend of 3.4p makes a 5.5p (5.2p) total.

Mr Wardle said margins were likely to remain tight until the middle of 1992 and that 1001 00 fields on the remain to the said of 1992 and that 1001 00 fields on the said of 1992 and that 1001 00 fields on the said of 1992 and that 1001 00 fields on the said of 1992 and that 1001 00 fields on the said of 1992 and that 1001 00 fields on the said of 1992 and t that 1991-92 first quarter sales bad continued at a lower level.

tor of 8 per cent. Earnings were 12.3p (6.8p). The interim dividend is 2.8p (2p).

A reduction in pre-tax profits, from £1.07m to £925,000 was

announced by Property Part-nerships, property investor and

hotels owner, for the half year to September 30.

Turnover amounted to £3.17m (£3.33m). Earnings declined from 6.49p to 5.76p but the interim dividend is lifted to

Ennex International, the USM-quoted extractor of min-

eral oils and natural gas incurred a pre-tax loss of

\$471,000 (£266,000) for the nine months ended September 30. The figure, which compare

with profits of \$598,000 previ-ously, was struck after taking

account of exchange losses of \$277,000 (gains \$562,000).

2.5p (2.45p).

Ennex

Property Partners

Slight fall at Ferry **Pickering**

Ferry Pickering, packaging and printing, group reported a slight decline from £2.34m to £2.26m in pre-tax profits for the year to August 31.

The warning at half year by Mr Peter Wardle, chairman, that the 9 per cent improve-ment in sales achieved in the first six months would not continue in the second six months proved correct. Turnover for the full yearwas £29.1m

North American gold jewellery demand up, claims Cookson arm

GOLD JEWELLERY sales will rise in North America this Christmas despite the recession, says Stern Metals, which claims to be the world's largest supplier of gold to the jewellery business and is part of Cookson, the UK specialist industrial materials group, writes Kenneth Gooding.

Stern's Stern-Leach division has been working flat out since August to meet increased Christmas demand from designers, sub-contractors and manufacturers of items from 14-carat gold chains to exclusive Cross pens and some of the most expensive jewellery money can buy.

Mr Richard Oster, Cookson's managing director, said: "We first saw the increase in demand in the summer. It picked up through September more than 10 per cent ahead of

last year."
Mr Fred Hammerle, Stern

year was huge 14-carat gold tube earrings.

one arm tied behind its back.

He pointed out that the less expensive the gold product, the more sophisticated the production process was likely to be. For example, Stern recently installed a \$1.5m computer-con-trolled rolling mill which compresses gold plate to a mere 0.008 of an inch. Stern was acquired by Cookson in 1982 and each year pro-cesses more than 1m troy ounces (31 tonnes) of gold and several million ounces of silver. About 95 per cent of its customers are in North Amer-

Our past speaks for itself.

Half year results to 30th September

(Profits before tax)

Source: Cable & Wireless unaudited interim results 1987-91

1987 £165m









Financial highlights for the half year ending 30th September 1991.

- Profit before tax up 17% to £351m an increase of £50m.
- Mercury profit up by 38%.
- Interim dividend of 4.25p per share is up by 15%. ■ Turnover continues to grow strongly – up by 24%.
- Earnings per share up by 15%. ■ Net gearing at 30th September 14.0%.

strategy addresses the future.

"We have to look ahead to a time that will see deregulation, liberalisation and privatisation in our industry sweep the world. We have evolved a clear strategy for continuing the growth in our earnings per share. The three elements of our strategy - providing premium services to business; expanding basic telecommunications services; and building a portfolio of mobile communications businesses - give your company a distinctive shape and a sharp focus for the years ahead."

Lord Young, Executive Chairman.

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Interim dividend of 4.25p payable 28 February 1992 to Shareholders on the Register at 19 December 1991. If you have any enquiries as a Cable & Wireless Shareholder, please call us on 071-315 4455.

A copy of the Interim Report will be posted to Shareholders on 29 November 1991. Approved for the purposes of \$57 of the Financial Services Act 1986 by Cazenove & Co., a member of the 5FA and of the London Stock Exchange. Past performance is not necessarily a guide to the future. The value of investments and the income derived from them can go down as well as up.



ends have been declared payable to holders of onlinery shares boks of the undermentioned companies at the close of bur aber 1991. The dividends have been declared in the currency of nev of the Rep December 1991. The dividence have been decision in the currency of the Republic of South Africa and payments from London will be made in United Kingdom currency. The date for determining the rate of exchange at which the currency of the Republic will be convened into United Kingdom currency will be 30 December 1991 or such other date as set out in the conditions subject to which the dividends 1991 or such other date as set out in the conditions subject to which the dividends are poid. These conditions can be inspected at the negistered office or of office of the London secretaries of the companies. Warmen's in payment of the dividends will be posted on or about 24 humany 1992. The transfer books and registers of members of the companies in Johannesburg and London will be closed from 21 to 27 December 1991, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

4	ł					
1			Insertin	Dividend D	eclared 1990	
4	Name of Company	•	No.		er Share	
	Eastern Transvani Co Mines Ltd. Reg. No.01/08442/06	nsolidated	83	7	7	
	Hartebessfootein Gol Company Ltd. Reg. No.05/33926/06	d Mining	72	50	50	
	Zandpan Gold Mining Reg. No.55/02414/06	Company Ltd.	39	8,25	8,25	
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I	per: E.G.D. Gordon			٠.	•	
İ	21 November 1991					



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UK COMPANY NEWS

Good publicity in the US following 'Magic' Johnson revelation LIG advances 16.5% to £20.5m

By Andrew Bolger

LONDON International Group. the consumer products and services company best known in the UK for making Durex condoms, said yesterday that it had received a lot of publicity in the US relating to Earvin "Magic" Johnson.

The company revealed that it was about to launch a con-dom for the US youth market when the basketball star announced that he had tested positive for HIV and urged

young people to adopt safe sex-ual practices.

LIG, which said the condom market was continuing to expand worldwide, was reporting a 16.5 per increase in pre-tax profits to £20.5m in the six months to September

Turnover was 2.3 per cent ahead at £190m. Although the group's health and personal products divi-sions performed well, the photoprocessing division suffered from the recession in the UK, where it does 75 per cent of its

Mr Alan Woltz, chairman, said: "We are pleased with these results, but continue to operate on the assumption that economic conditions in the UK will not improve significantly

The health and personal products divisions increased operating profit by 22.5 per



pleased with the half-year results

cent to £13.6m on turnover of £119.1m, up 7.2 per cent. LIG said its Asia Pacific division continued to grow. In May a joint venture gave

the group condom market leadership in Thailand and a base to develop further in this region.
The Regent Biogel surgeons'

glove business continued to increase market share in both the UK market and in North

America.

The new Biogel manufacturing facility in Malaysia was completed. Manufacture of surgeons' gloves is being transferred to this new factory, with the loss of up to 650 jobs in the

In September, the group agreed to acquire the Manan range of natural hair and body care products in Germany from Reckitt and Colman.

LIG said this move was consistent with its strategy of seeking niche markets within the health and beauty aids

In the photoprocessing division, operating profits of Col-ourCare fell from £12.4m to £11.5m on flat sales of £70.9m (£70.8m). The group said it bad increased its share of the declining UK market for photoprocessing at the expense of weaker competitors. It was concentrating on operating efficiencies, technical improvements and strategic acquisi-

Earnings per share fell to 8.27p (8.63p), partly reflecting the dilution caused by the onefor-four rights issue which raised £61.6m in January The interim dividend is being lifted by 6.7 per cent to

Lowndes Lambert advances to £4.01m

By Richard Lapper

DESPITE PATCHY trading conditions, with rates in many insurance markets still very depressed, Lowndes Lambert the insurance and reinsurance broker yesterday reported a 40 per cent increase rise in pretax profits from £2.87m to £4.01m in the six months to 30

The group, which obtained a listing in July, reported a rise in earnings per share of 45 per cent to 11p (7.7p).

Total turnover increased to £29.3m (£26.1m), a rise of 13 Revenues in the UK

increased by 15 per cent although some of the increase was due to the integration of Midland Bank Insurance Bro kers and the HJ Symons port folios, which were acquired by Lowndes Lambert in the last 12 months.

Investment and other income declined to £2.79m (£3.34m). The group has made further progress in reducing its expenses. During 1991 costs have amounted to 88.1 per cent of total income, compared with 90.8 per cent in 1990 and 92 per cent in 1989. See Appointments

Own brands boost Morland

by Philip Rawstorne

MORLAND & Co, the Thames Valley regional brewer, overcame "very difficult trading conditions" to lift pre-tax profits by 17 per cent from £5.07m to £5.93m. The share price responded with a jump of 27p

to 360p by the close yesterday. The results were driven by growth in sales of the compa-ny's own ales - Morland Original and Old Speckled Hen and a thriving pub estate, said Mr Jasper Clutterbuck, chief executive.

There was virtually no con-tribution from the 101 pubs which Morland acquired from Courage for £16.4m after a suc-

cessful rights issue at the end of June. But they were all now fully integrated and the com-pany was poised for further growth, he added

Operating profit for the year ended September 30 rose 28 per cent to £6.04m (£4.7m) on turnover 19 per cent higher at £33.7m (£28.4m).

Margins improved from 16.6 per cent to 17.9 per cent and earnings per share grew by 12 per cent from 20.2p to 22.7p. A commended final dividend of 4.99p raises the total payment by 11 per cent to 7.16p (6.45p).
"Success in the production and selling of our own ales is

the key to our business," Mr Clutterbuck said. Volume sales of Morland ales had risen by a per cent, and Old Speckled Hen had shown remarkable growth in its first year. Advertising and marketing campaigns for the premium brands had helped to gain a 30 per cent increase in free trade business Agreements had been signed

with Courage and Whitbread that would give the company's beers wider distribution. The retail estate continued to thrive. The managed pubs -more than 60 out of a total 300 - lifted turnover 32 per cent

Henry Barrett plunges to £442,000

HENRY BARRETT Group, the stockholding and construction concern, yesterday reported a sharp dive in pre-tax profits for the year to August 31, the pass-ing of the final dividend, and the retirement of the chair-

man, Mr Guy Barrett.

Mr Barrett said that the severity of the recession was reflected in the group results. Throughout the year, he said, "margins were under extreme pressure and there is little prospect for improveprospect for improve-ment . . . during the current financial year".

He added, though, that "the elimination of loss-making activities, cost savings and proimprovements'

would benefit the group. Taxable profits plummeted from £12.5m to £442,000, after an exceptional charge of £400,000 (nil) relating to a fur-ther bad debt incurred in the 1989-90 year. Turnover fell by 17 per cent to £115.3m (£139.7m) and gross profit by 23 per cent

to £26.8m (£35m).

The profits decline was made yet steeper by distribution costs which grew to £8.08m (£6.84m) and administration expenses up at £15.5m (£14.2m), while interest and similar charges expanded to £2.35m

Below the line, post-tax profits of £285,000 (£8.63m) were translated into losses for the

year of £2.57m (profits £8.63m) by an extraordinary charge of 12.94m (nil) incurred in connection with the withdrawal from certain business areas and re-

organisation costs.

A number of businesses have already been sold and negotia-tions are in progress for the sale of a further four. The group has now been consoli-dated into three divisions: construction: stockholding; and

engineered products. Earnings were 0.77p (20.51p) per share. The 2p interim divi-dend represents the full-year pay-out, against last time's

Mr Barrett will be replaced by Mr Donald Parvin.

British Gas Interim Results Six Months to 30 September 1991.

British Gas has published its interim report for the six months ended 30 September 1991. In the report, British Gas Chairman and Chief Executive Robert Evans **CBE** writes:

"I am pleased to announce the interim results of British Gas for the six months ended 30 September 1991.

The Directors have declared an interim dividend of 4.25 pence per share, an increase of 13% over the corresponding period last year..

in addition the Board expects, in February 1992, at the time of the announcement of the Company's results for the nine months to December 1991, to recommend a special final dividend of 6 pence per share, reflecting the change in accounting reference date to 31 December.

Demand for gas in the first half of the financial year, based on a 31 March year end, accounts for only about one-third of total annual sales so that the results for the period are not indicative of those for the year as a whole. On a CCA basis, the figures for the first half showed a larger loss after taxation at £136 million, compared with £93 million for the corresponding period last year. The principal factors which contributed to this result included:-

* an improved performance from

the UK gas supply business. Colder weather and the addition of 90,000 new customers generated growth in the tariff market, which offset a decline in demand for contract gas caused by the recession and increasing competition.

* a reduced profit contribution from Exploration and Production as a result of lower production from South Morecambe and the Brae fields. South Morecambe is used to meet peak demand in winter and has been undergoing: major engineering modifications to increase output; Brae was shut down for part of the period for planned maintenance.

* results from Consumers Gas (Canada) for the first time at. the interim stage, where financing costs outweighed the operating. contribution of this subsidiary during the summer months.

The Group's results have. been most satisfactory given the general recessionary environment: which has affected sales to? industry and our appliance trading and maintenance operations. The underlying strength in the business has enabled the Company to maintain its progressive dividend policy. The recent Office of Fair Trading (OFT) review has suggested recommendations which would impact on both the tariff and contract markets. The Company has entered into discussions with the OFT with a view to agreeing undertakings consistent with our statutory duties to customers and our responsibility to shareholders."

The interim dividend of 4.25 pence net per ordinary share will be paid on 25 March 1992 to shareholders on the register at the close of business on 14 February 1992.

Copies of the interim report. are available from: British Gas pic, Shareholders Enquiry Office, 100 Rochester Row, London SWIP 11P. Tel: 071 834 2000.

BRITISH GAS pic UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1991 Extracts from Group Profit and Loss Account

	30 Sept 1991	30 Sept 1990	· ** **
	ΣŅ	EM	
		(betaleet 28)	
Turnover .	3,530	2,955	
Current cost operating loss	(52)	(44)	···· • (#
Net interest and gearing adjustm	eni (101)	(37)	
Current cost loss before taxetion	(153)	- (81)	****
Taxation	17	(12)	
Current cost loss after taxation	(136)	(93)	
Minority shareholders' interest	· <u> </u>	· <u> </u>	;;
Loss attributable to British Ges			
shareholders	(136)	<u>(93)</u>	
Loss per ordinary share	(3.2p)	(2.Zp)	
Interim Dividend	£181M	£160M	1. X
Interim Dividend per ordinary she	re 4.25p	3.75p	

1991 have been prepared on the basis of the accounting policitis as set out in the Annual Report and Accounts for the year ended 34 March 1991 lougal cost basis the loss before tovation for the six anded 30 September 1991 was £49 mit ng period last year ided on the basis of the estimated effective tax rate for the nin months ended 31 December 1991,



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FT SURVEYS

THE PROPERTY MARKET

The shape of offices to come

By Vanessa Houlder

FOR ITS first 100 years, the shape of the office was determined by the typewriter. Invented by a Chicago architect, William Jenney, at the end of the last century, the modern office was seen as an efficient machine to monitor the serried ranks of clerks armed with type-

writers and telephones.
But with computers replacing clerks, so the principles of office design are back on the drawing board. Pressures for change are coming from new technology, the drive for improved productivity, decentralised styles of management, greater environmental awareness and demographic trends.

The direction of these forces is often confusing and contradictory. However, there is little doubt that they could have huge implications for the shape of new developments and the value of office stock.

This week, DEGW, a research company whose work shaped many of London's largest developments in the 1980s, unveiled the findings of its year-long study of the future of offices, entitled "The responsible

workplace".

It commissioned studies of trends ranging from changes in user expec-tations to changes in regulations; it also carried out 19 case studies of innovative companies in Europe, ranging from Enfield Borough Council in southern England to Volvo, the car maker, in Sweden. Its conclusions are damning about the typical UK office. "Something is very wrong with office buildings today," it says. "The fundamental problem is quite simply a divergence which we believe is likely to increase, between what people wish offices to be and what many offices have become - highly conventionalised stereotypes, the logic of which has hardly been chal-

lenged for decades."

DEGW believes there are two types of offices, neither of which is satisfactory. In the US, where developers have dominated the market, buildings are cheap, simple and effi-cient. (UK offices have tended to be

cient. (UK offices have tended to be a second-rate version of their US counterparts, thanks to tight planning rules which have resulted in smaller and less efficient buildings.)

The downside, critics say, is that the straight up-and-down US office adds nothing to the identity of the corporation and it does nothing for the well-being of the workforce, much of which sits well removed from windows and without natural from windows and without natural light or ventilation.

At the opposite end of the scale are the offices of Scandinavia, Ger-many and the Netherlands, where developers' influence on the design of office buildings has been rela-tively weak and the employees' influence, particularly through worker councils, relatively strong. These custom-built offices offer

space, individual offices and even windows which open. The problem is that they are expensive, construc-tion is often a slow and inefficient process, they are profligate in the use of space, and difficult to adapt and sell to another organisation. An example which encapsulates

this second style of office is Swedish airline SAS's headquarters in Stockholm. The light, airy building is based on five butterfly-shaped departmental pavilions backing onto a street-like atrium, which allows each of the 1,500 employees their own daylight office.

Yet after the extravagances of the 1980s, one of the strongest themes of the decade ahead may be the drive to cut costs and improve pro-

ductivity.

Mr Bruce Lloyd, head of the management centre at the South Bank

A more radical solution to the waste of an expensive asset is to get rid of the office altogether

Polytechnic, is an ardent advocate of improved office productivity. "While there is ever increasing

"While there is ever increasing pressure to use major capital assets such as coal mines and car-assembly lines for 24 hours a day, seven days a week and nearly 52 weeks a year, the position of office blocks is virtually ignored," he says.

After deducting the time when an office is shut at night and weekends, the time for holidays and sickness and the time spent drinking coffee, gossiping about office politics and organising charity marathons, Mr Lloyd reckons that the office may be used productively for office may be used productively for

just five per cent of the total time available.

The need to drive down costs has led many companies to relocate their offices in whole, or in part. Calls to London telephone directory enquiries are answered by operators in Belfast and several London-based financial services companies have moved their administrative staff to offices in Cardiff.

A more radical solution to the vaste of an expensive asset is to get rid of the office altogether. It is a drastic option but improvements in technology and the reduction in costs are making it increasingly via-ble for companies whose employees need little supervision and

face-to-face interaction.

Mr Mahlon Apgar, who runs a
Baltimore property agency, decided
to equip his 10 employees with a personal computer, a printer, a fax machine and a telephone, instead of renting an office. They have daily conference calls and meet for dinner and occasional weekends. "There is considerably greater potential for working at home than most people think," says Mr Apgar. There are, he concedes, people who prefer offices because it gets them away from their children and personal life. But the benefits for employees is significant, quite apart from the tax benefits of working from home and savings on office costs. "Individuals have more flexibility, they don't have to dress up, they can see their family more and integrate their personal time with

their professional time," he says.

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The idea of working at home is attractive to most people, tired of spending hours commuting and city congestion, according to a survey carried out by the Henley Centre, a UK-based research organisation. Fifty-three per cent of respondents said they would like to work from home if their jobs allowed.

But most organisations would baulk at dispensing with an office altogether. An office allows staff to exchange ideas and gives a company a sense of identity.

The answer for companies with peripatetic employees might be to shrink the office, rather than get rid of it altogether. Executives working for PA, a consultancy company, are out of the office much of the time, have no fixed desk and merely pick one as and when they need it. Arthur Anderson, the accountancy company, also has a "hot desk" pol-icy, whereby it allocates a ratio of one desk to three auditors.

The implications of increased efficiency, working away from the office and new technology have been the subject of a study entitled The Future of Offices by the Henley Centre Ireland and Business Design Group. The trend to smaller offices would lead to "office villages", it concluded.

Offices could be clustered together, with centrally provided services such as catering, security and even photocopying, the report states. The idea would not necessarily be confined to green-field office developments: office villages could be created by spanning the space



Work benefits: ice rinks and restaurants are some of the attractions of working at the Broadgate centre in London

between two terraces of old buildings with a glass roof, creating a new street-scape down the centre. But the idea that offices are tending to shrink and disperse is not

unchallenged.
The belief behind many recent developments in London is that companies want to get away from scattered offices and bring their people together under one roof. Morgan Stanley, the financial services house, for instance, is moving out of six buildings in the City and west end and relocating to Canary Wharf in the east end, in an effort to save on costs and improve effi-

Evidently, the pressures that will shape the offices of the next century are conflicting. And it seems likely that diverse, cosmopolitan cities such as London will continue to need offices of different styles and

types.

But, even if the trends are hard to analyse, no property developer or investor can afford to be compla-cent about changes in working patterns. What price an office block in 2000, if the organisations that once occupied it need merely a shared auditorium and a regular restaurant booking?

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COMMODITIES AND AGRICULTURE

Zinc prices rise to 7-month highs

By Kenneth Gooding, Mining Correspondent

ZINC PRICES on the London Metal Exchange climbed again yesterday to a fresh seven month high but analysts suggested this was entirely due to technical factors and was not a sign of any recovery in demand. "The physical zinc market is very flat. Consumers are not going to pay these prices at the moment," com-mented Mr William Adams of the Rudolf Wolff commodity

broking group.
There is no shortage of zinc as LME warehouse stocks stand at a record 158,225 tonnes, having climbed from 54,000 tonnes at the begining of this year. Mr Angus MacMillan, ana-

Mr Angus MacMilan, analyst at Billiton Enthoven Met-als, suggested that one possible reason for the price rise was "mating season politics". Min-ers and smelters are currently haggling over the price to be paid for treating zinc concentrates, an intermediate material. "Given the large concentrate surplus, the smelters

expect a significant increase in treatment charges but, when metal prices are about \$1,000 a tonne, the mines will not wear it. Higher metal prices may make the miners more amenable to the smelters' demands." However, other analysts insist the rise has been wholly fuelled by European merchants buying "out of the money" options and physical metal in an attempt to flush out specu-lators who have sold zinc

A month ago special high grade zinc fell to its lowest ever level on the LME -\$996.50 a tonne. A steady rise since then accelerated this week. Traders said threemonth metal surged from \$1.147 to \$1,186 a tonne at one stage yesterday before profit-taking and hedge selling halted the trend,

Three-month zinc eventually closed in London at \$1,180.50, up \$23.5 on the day and 8 per cent price ahead of the close on Friday.

to its farm infrastructure.

fall apart.
Although the EC and Canada

have boosted output, it has not been enough to compensate for the other declines. "Measured in number of days of supply, world stocks of wheat and

coarse grains are approaching levels not seen since the food

crisis days of the 1970's," Car-

reflected in prices because gov-ernment subsidies have been

distorting market signals, "masking the tightness that

exists in world grain supplies

and hindering any realistic supply response."

Hungary is optimistic that it will be able to export its nor-mal volume of 1.8m to 2m

tonnes of grain in 1991-92 (July-

June) despite the collapse of its rouble trade to the Soviet

Union, reports Rueter from

"We hope we can do 2m tonnes again this season." Mr Laszlo Vajda, director of EC affairs at Hungary's Ministry of Agriculture, said during a grain conference in Brussels.

The season had got off to slow start, but in the last three months wheat sales had picked to and heart of the season had so the season had got off to slow start, but in the last three months wheat sales had picked to and heart of the season had been and heart of the season had season had been all the season had been all the season had season had been all the season had been all the season."

up and business was now

around normal levels, he said. Some deals were also being

worked out in the smaller

maize sector which was likely

to account for 100,000 to 300,000

tonnes of the export total, he

The true situation is not

gill says.

which is likely to continue to

Fall in grain stocks 'threatens 1992 supply'

By Nancy Dunne in Washington

WORLD GRAIN stocks have sunk to a level that threatens global supplies next year if any of the major producers suffer unexpected shortfalls in 1992, according to Cargill, the inter-national trade house.

The November Cargill Bulle-tin warns that the threat of lead chortense in the Soriet

tood shortages in the Soviet Union have obscured the "gradual tightening of grain supplies throughout the

Cargill notes that the ending world stocks of wheat and coarse grains for the 1991-1992 season were estimated by the US Department of Agriculture to be dropping 6 per cent from the previous year. At the same time, world population contin-ues to grow at the rate of about 1.5 per cent a year, rising from 4.5bn to nearly 5.4bn during

Most of the production drop has been in the US and the Soviet Union. Soviet output of wheat and coarse grain for 1991-92 is estimated by USDA at 173.5m tonnes, a drop of more than one-fifth from the previous year. US production of 272.2m tonnes, represents a 10 per cent fall off from last

In the US, production is down due to "moderate growing problems - delayed plant-ing, drought, diseases" and government set-aside programmes. The Soviet Union has suffered drought and other unfavourable weather conditions as well as severe damage

timber organisation questioned By David Blackweil

day. "We are dissatisfied. . . it's

WWF, which has already called for an independent review of the ITTO, has set its own target of 1995 for forest sustainability. It believes that

This represents about 30 per cent of the world trade coming from a state the size of Britain, and is 400 per cent higher than the WWF would consider a sustainable rate of logging, Mr Sullivan said. • The United Nations Food

FoE said millions of hectares of tropical forest had been destroyed during the last seven years, while the FAO, which partly controls the TFAP, had only talked about the crisis. It called on donors to go it alone in setting up a revised mechanism to save the

COCCA - London POX

COFFEE - Landon FOX

Clase Previous High/Low

941

Turnover: 8053 (4442) lots of 10 teams ICCO Indicator prices (SDRs per teams). I price for Nov.20 970.46 (989.46) 10 day eve for Nov.21 953.37 (951.20)

905 939 936

Value of

THE VALUE of the International Tropical Timber Organisation's continued exis-tence will be called into question next week by the World Wide Fund for Nature, the environmental pressure group. Mr Francis Sullivan, the WWF's forest conservation officer for the UK, said in Lou-don yesterday that the organi-sation had "totally failed" to move the timber trade towards sustainable production. Fundamental questions needed to be asked at the ITTO meeting in Yokohama, Japan, next Thurs-

coming to a crossroads," said Mr Sullivan, who will be attending the meeting as part of the UK delegation. The 48-member organisation, which represents both producers and consumers, reaffirmed at its last meeting in May that all tropical timber in May that all tropical timber production should be sustainable by the year 2000. However, the agreement governing the organisation has to be renegotiated in May 1994, which makes 2000 "a wholly political date", Mr Sullivan said

by 2000 many tropical countries will have little produc-tive forest left, including Sabah, Thailand, Nigeria and the Ivory Coat.

Mr Sullivan yesterday cited Sarawak as the worst case of continued over-exploitation. Between January and April this year more than 5m cubic metres of logs and sawn tim-ber were exported. This could result in legal exports of 18m cu m for calendar 1991, possibly with a possible 7m addi-tional cubic metres taken up through illegal exports.

and Agricultural Organisation has come under attack from Friends of the Earth and other non-governmental conservation groups for blocking any effective moves to reform the

UN Tropical Porestry Action

Aluminium chiefs urge smelter project delays

By Kenneth Gooding

PLANNED ALUMINIUM smelter projects should be delayed until the industry has adjusted to the upheaval caused by the sharp increase in Soviet exports, according to the chairmen of the two largest US aluminium companies. Mr Paul O'Neill, of the Alu-

minium Company of America (Alcoa), says there was a nearbalance of supply and demand in the western aluminium mar-ket but this "has been destabilised by a sudden increase in supply that has eliminated profitability for much of the industry.
"If there was some prospect

that the Soviet economy would return soon to its previous internal use level of aluminium, this sudden surge of Soviet metal would cause no concern. But I see no near-term hope for a resurgence of the Soviet economy. The consequence of this situation is the equivalent of a major increase in metal supply and there is a need to change the timing for expansion projects."

Production cuts announced this year						
Company	Total cuts (tonnes)	completed by				
Alcan	153,000	already				
Alcos	53,000	. this month				
Alumix	60,000	next year				
Alusuisse	46,000	aiready				
Aluar	15,000	already				
Austria Metali	85,000	next year				
Hoogovens	18,000	aiready				
Hungalu	72,000	end 1992				
Madras	26,000	already				
Norsk Hydro	45,000	already				
Pechiney	74.000	siready				
Reynolds	121,000	next month				
TLM	73,000	aiready				
VAW	40,000	already				
Total	878,000	5.8 per cent of western output				

Mr Bill Bourke, of Reynolds Metals, says: "We cannot ignore the fact that, with mini-mal demand at home, the Soviet smelters may continue putting substantial amounts of aluminium on the world market and the rest of the industry

ity.
"Obviously, anyone with a smelter project on the drawing boards will do well to take a look and re-think the

Reynolds estimates that Soviet aluminium sales to the west this year will be more

than 1m tonnes compared with 274,000 tonnes in 1990. At the same time, recession in many industrialised countries will hold back demand. World-wide demand is forecast by the company to be only I per cent ahead of the 1990 level at 15.1m tonnes after a "modest" 1.8 per cent increase in the previous

12 months. Mr Bourke points out that the industry is responding by curtailing some production. At the latest count world-wide cuts of 869,000 tonnes have

been amounced.
Soviet "dumping" has reduced the price of primary aluminium ingot by at least 25 cents a lb (\$550 a tonne).
according to Mr Stewart Specture outbox of the New York. tor, author of the New York-based Spector Report. Consequently, on a cash basis many western smelters are now oper-ating in the red.

He estimates that at 50 cents 1b (\$1,100 a tonne) 75 per cent of the western world's aluminium capacity is operating at or below its cash costs. At between 45 cents and 50 cents a Ib 92 per cent of producers lose money on a cash basis. Last night aluminium for delivery in three months closed in London at xxx cents a lb.

Mr Spector suggests that, it aluminium prices fall much further, "the industry will be unable to raise new capital. Previously planned expansion projects will be delayed, especially in high-risk countries. cially in high-risk countries like the Middle East and Latin

America. Meanwhile, Alcoa's Mr O'Neill has written to President Carlos Andres Perez of Venezuela, suggesting that a \$1.2bn, 300,000-tonnes-a-year smelter project in eastern Sucre state, 400 km from Car-acas, in which Alcoa is involved should be shelved for the time being. The smelter would take two to three years to complete. In a letter to the president, Mr O'Neill says.
"This is not a decision for all time. In fact, it is a decision that should be reviewed no less often than every six months".

Baltic states seek wider farming horizons

Gillian Tett on the agriculture of newly-independent Latvia, Lithuania and Estonia

nian deputy agricultural minis-

She suggests that in light of the Baltics' increasingly acute sugar shortages, one alterna-

RIVING ACROSS Lith-Junian or Latvian farmland, a Western visitor is struck by an unfamiliar absence: after 50 years of collective land ownership Lithuanian and Latvian farms do

not have hedges.

In coming months, though, hedges and fences may reappear on the landscape. All three newly-independent Baltic states, also including Estonia, are now embarking on agricultural reform programmes intended to break up the old state farm monopolies and boost their flagging production.

The focus of Baltic farming is on meat and milk produc-tion. The three states annually produce about 1m tonnes of meat and 5m toones of milk products, of which 35 to 40 per cent was previously exported to the Soviet Union. Over half of this is produced by Lithua-nia, the largest and most agricultural of the three Bal-

However, in recent years, agricultural production in the Baltics, as elsewhere in the for-mer Soviet Union, has been in marked decline. According to Mr Uldis Benikis, Latvia's dep-uty agricultural minister, meat and milk production is expected to drop by up to 15 per cent this year, on top of a fall of about 10 per cent in 1990. Similar drops have occurred in

Lithuania and Estonia. One reason for this fall has been the disruption in supplies of grain feed for cattle. Under the Soviet centralised planning system, Baltic farmers have become heavily dependent on

Ettonne

imports of grain feed from the Soviet Union. Estonia, Latvia and Lithuania together annually import over 3.5m tonnes of grain feed, mostly from Russia. This year agricultural minis-tries in the Baltics report that they have only received between 50 per cent and 70 per cent of their normal supplies of grain feed - partly as a result of the poor Soviet grain har-vest and partly of the breakdown in trade relations

tive crop that Lithuania could develop is sugar beet. Although sugar beet is well suited to Baltic climatic conditions its cultivation has been limited in Lithuania during the Soviet period, partly because of the Soviet Union's subsidised supply of cane sugar from Cuba. between the Baltics and the "We feel that we've been forced

become over-specialised in meat and milk production during the Soviet period"

Soviet Union. Recognising that they do not have the hard currency to purchase sufficient quantities of grain on the world market, Baltic agricultural ministries are now taking steps to reduce their dependence on supplies of Soviet grain. According to Mr Benikis, one solution would be to boost the Baltics' own grain production, which is at present about 5m tonnes a year, barely enough to supply the region

with flour for bread. But some Baltic economists want to go further and diversify agricultural production more comprehensively. "We feel that we've been forced to become over-specialised in meat and milk production dur-ing the Soviet period," says Mrs Roma Naujokiene, Lithua-

WORLD COMMODITIES PRICES

fam, 99.7% purity (\$ per tonne)

1135-7 1164-4.5

LONDON MITTAL ICK

Cash 1124.5-5.5 3 months 1151-1.5

Copper, Grade A (£ per

Cash 1311-2 3 months 1290-1

Lead (£ per tonne)

Cash 284-5 3 months, 295.5-8

Cash 7145-65 3 months 7210-5

The (\$ per tenne)

In theory, these decisions about how far to diversify should now be passing from the government to private farmers, since all three Baltics are now attempting to implement a two stranded programme for land privatisa-

Some of the largest of the collective and state farms - or kolkhozes and sookhozes - are being turned into shareholding enterprises. The intention is to break up the remainder into small farm holdings, with the land either divided among the former workers on the collecto descendants of previous owners, who lost the land during the forced collectivisations in the 1940s and 1950s.

Latvia claims to have cre-

(Prices supplied by Amaignmeted Metal Trading)

AM Official Kerb close Open Interest

1753-4

1290-1

Total dally turnover 21,367 lots

Total daily turnover 27,900 lots

Total delly turnover 2,847 lots

136,075 lots

107.512 lots

COCK

ated 12,500 farms, Lithuania 3,000 and Estonia 4,000, mostly smaller than 50 hectares. However, these farms still represent a small proportion of the total farming land, and it is not clear how many of them are operational. Furthermore, although Bal-

tic economists hope that this privatisation drive will eventu-ally boost production, so far this does not seem to be hap-pening. Indeed, the dislocation caused by land redistribution is cited by Mr Benikis as a factor in the overall agricultural decline. One problem, according to

Mr Bronius Kasputis, manager of a joint stock Lithuanian farm in Zeizmarial, is that Baltic farmers are reluctant to take on the responsibility of private farming. "People here aren't yet used to working without orders," he says. A more tangible reason, though, is the lack of a bank-

ing system to provide agricul-tural credits to these new farmers, and the weakness of the market mechanisms for the distribution of grain, fertilisers or agricultural produce. At the Zeizmariai farm, for

example, although some private farmers are now produc-ing their own milk, they continue to sell it to the state farm at low state prices, since they lack access to transport to market it themselves. According to Professor Neil

state university, currently running a course on agriculture, banking and finance in the Baltics, using the state farms as distribution and collection

HEATING Oil 42,000 US galls, cents/US galls

channels may not in itself be detrimental, particularly since many of the smallest farms could be too small to be eco-

"If competition can develop between the state farms for the small farmers' custom, then they could function like the farming co-operatives in the American West," he says. pointing out that competition is also needed between the food processing plants, most of which are currently under a

state monopoly.

But the low state controlled prices of meat and milk remains the main obstacle to boosting agricultural produc-tion, according to Mr Ojan Retig, economist at the Latvian joint stock farm Adaji. "It sim-ply isn't very profitable to produce milk and meat at the moment," he says. "

Baltic leaders say that they do intend to free prices next year, and hope that this, coupled with the vast export potential of the shortage riders and the shortage riders. den Soviet Union, should act as more than enough incentive to stimulate production.

They also harbour dreams of eventually reviving the trade in butter and bacon exports they once had with the West during their inter-war period of

But irrespective of the myriad European Community restrictions that would block these hopes, the main obstacle remains the relatively low quality of their agricultural production and food processing - a problem that Baltic lead-Western technical assistance.

Chicago

MARKET REPORT

Gold closed just above the \$365-a-troy-ounce resistance level on the London bullion market yesterday following gains in early trading in gold futures on Comex and platinum futures on Nymex. Comex advanced on further news of a possible aid package from the G-7 countries which would include a 51bn emergency loan to the Soviet Union using 104 tonnes of gold as collateral. The platinum market was underpinned by sentiment that an emergency loan to the Soviets would lessen London cold dealer said the market was encountering good producer interest at these hloher levels, which had not been seen

London Markets

SPOI MAKELIS		
Crude oil (per barrel FOR)		+ 01
Dubai	\$17.55-7.650	+0.10
Brant Blend (doled)	\$20,70-0.75	+0.15
Brent Blend (Jan)	\$20,75-0.60	+ 0.10
W.T.I. (1 pm est)	\$22,00-2 OSq	+ 0.05
Oil products		
(NWE prompt delivery per t	onne CIF)	+ Qr
Promium Gesoline	\$236-238	-1
Gas Oil	\$204-205	+ 1.5
Hoavy Fuel Oil	\$88-69	+1
Naphiha	\$213-216	+1
Petroleum Argus Estimates		
Other		+ 01
Gold (per troy ozi-	\$345.55	+250
Silver (per boy oz)	411.5c	+25
Platrium (por troy oz)	\$373.75	+540
Palladium (per troy oz)	\$85 25	
Copper (US Producer)	108.25c	-2.25
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.847	
Tin (New York)	254.0c	+0.75
Zinc (US Prime Western)	62.0¢	
Cattle (live weight))	104.65p	-0.44*
Shoop (dead weight)†	146,94p	-2.16*
Pigs (live weight)†	89.05p	+0.65
London daily sugar (raw)	\$216.2x	+22
London duly sugar (white)	5274 Bc	+0.6
Tate and Lyle export price		+1.5
Barley (English leed)	£125.5u	
Maize (US No. 3 yellow)	£142.5	
Wheat (US Dark Northern)	£101.0	
Rubber (Dec)♥		-0.25
Flubber (Jan)♥		-0.25
Rubber (KL RSS No 1 Dec)	221.5m	-G.5
Coconut elli (Philippines)§	\$585.0y	
Paim Oii (Meleysien)§	\$3 <u>52.6x</u>	
Copra (Philippines)9	\$375.0z	
Soyaboans (US)	£148.5	

Wooltops (64s Super)

+0.05

398p

for some time. "I think people are finally begining to believe that there is a possibility of a prolonged raily," he added. On the London Metal Exchange aluminium continued this week's retreat under the threat of a further substantial increase in weeks. Traders said a substantial amount of new metal was expected to arrive in Rotterdam which would add to the sizeable amount already there waiting to be stored temporarily in the ope

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Apr 128.00 128.00 128.00 Jun 122.50 123.00 122.50 Aug 122.50 123.00 122.50 Turnover 118 (135) lots of 20 tonnes. FREEGRET - London FOX \$10/Index point Close Previous High/Low Nov 1632 1626 1626 1626 Dec 1673 1630 1688 1630 Jen 1700 1685 1700 1685 Apr 1700 1685 1700 1685 Jul 1475 1441 1480 1470 Oct 1578 1570 1570 BFI 1595 1396 1595 Turnover 362 (261) ORABUS - London FOX \$700 1686 May 130.50 130.50 124.50 124.05 Jen 124.20 124.06 124.50 124.05 May 130.50 130.50 130.80 130.25 May 130.50 130.50 130.80 130.25 Serray Close Previous High/Low Nov 115.90 118.90 118.15 118.60 118.30 Jun 121.50 121.50 Turnover: Wheat 369 (346). Bartey 128 (5). Turnover lots of 100 Tonnes. MAS - London FOX (Cash Settlement) pring Close Previous High/Low London 104.0 104.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 105.0	128.00 122.50 122.50 r 118 (13	128.00 128.00 15) lots of 2	128.00 122.50 122.50 122.50
Jun 122.50 123.00 122.50 Aug 122.50 122.50 Turnover 118 (135) lots of 20 tennes. FREE SET - Leader FOX \$10/Index point Clase Previous High/Low Nov 1832 1828 1826 1825 Dec 1973 1630 1698 1630 Jen 1700 1885 1700 1885 Apr 1700 1885 1700 1885 Jul 1475 1441 1480 1470 Oct 1578 1570 BFI 1595 1596 1595 Turnover 362 (261) ORLANDS - Leader FOX \$700 124.05 May 130.90 130.50 130.80 130.25 May 130.50 130.50 130.80 130.25 Berray Clase Previous High/Low Nov 115.90 118.60 118.75 115.75 Iurnover: Wheat 369 (348) Berrey 128 (5). Turnover: Wheat 369 (348) Berrey 128 (5). Turnover: Wheat 369 (348) Berrey 128 (5). Turnover: Industry Indus	122.50 122.50 r 118 (13	123.00 (5) lots of 2	122.50 122.50 10 lonnes.
Jun 122.50 123.00 122.50 Turnover 118 (135) lots of 20 tonnes. FREEGRET - London FOX \$10/Index point Close Previous High/Low Nov 1632 1628 1626 1625 Dec 1673 1630 1688 1630 Jen 1700 1685 1700 1685 Apr 1700 1685 1570 BFI 1595 1596 1570 BFI 1595 1596 1593 Turnover 362 (261) ORLANES - London FOX £/fonne Minat 124.20 124.06 124.50 124.05 Mar 127.50 127.50 127.85 127.60 May 130.90 130.50 130.80 130.25 May 130.90 130.50 130.80 130.25 Berray Close Previous High/Low Nov 115.90 118.60 118.75 115.70 Jen 118.60 118.15 118.60 118.30 Turnover: Wheat 369 (348) Eartey 128 (8). Turnover lots of 100 Tonnes. Minat 104.0 104.0 105.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 105.0	122.50 r 118 (13	(5) lots of 2	122.50 10 tomes.
Turnover 118 (135) lots of 20 tornes. Clase Previous High/Low	r 118 (12		O lonnes.
Close			
Close Previous High/Low			
Nov 1632 1628 1626 1625 Doc 1673 1630 1630 1688 1630 Jan 1700 1665 1700 1685 Apr 1700 1685 1700 1685 Apr 1700 1885 1896 1895 FUTTOVER 362 (261) DELABES - London POX 2/Lonne Interpretation of the provious High/Low Jan 120, 120, 120, 120, 130, 130, 130, 130, 130, 130, 130, 13	1 - 141	HEGE FOX	\$10/Index poli
Dec	Çiase	Previous	High/Low
Jan 1709 1685 1700 1685 Apr 1700 1685 1700 1685 Apr 1700 1685 1700 1685 BFI 1595 1596 1595 Turnover 362 (261) ORIABES - Landon POX 2700 Wheat Close Previous Hightow Jan 124.20 124.05 124.05 Apr 127.50 127.50 127.85 127.50 Apr 130.90 130.90 130.80 130.25 Apr 132.15 132.25 132.25 132.25 Barray Close Previous Hightow Jan 132.50 118.15 118.50 118.70 Jan 118.60 118.15 118.50 118.30 Furnover: Wheat 369 (348). Bartey 128 (8). Furnover lots of 100 Tonnes. PMS - London POX (Cash Settlement) pring Close Previous Hightow Jan 104.0 104.0 103.5 Jan 104.0 104.0 103.5 Jan 104.0 106.0 103.0 Jan 108.0 108.0 107.5		-	
Apr 1700 1685 1700 1685 Juli 1475 1441 1480 1470 Oct 1578 1570 BFI 1595 1396 1395 Turnover 362 (261) ORANES - London POX 2700ne Wheat Close Previous High/Low Iden 124.20 124.05 124.50 124.05 May 130.90 130.50 130.80 130.25 May 130.90 130.50 130.80 130.25 Barray Close Previous High/Low Nov 115.90 118.50 118.50 118.50 118.30 Jan 148.60 118.15 118.60 118.30 Jan 148.60 148.15 148.60 118.30 Jan 148.60 148.15 148.60 148.50 Jan 148.60 148.15 148.50 Jan 148.60 148.50 J			
Jul 1475 1441 1480 1470 Oct 1578 1595 1596 1595 BFI 1595 1596 1595 Turnover 362 (261) ORRANES - London FOX 2700ms Wheat Close Previous Hight.ow Jen 124.20 124.06 124.50 124.05 May 130.90 130.50 130.80 130.25 May 130.90 130.50 130.80 130.25 Berley Close Previous Hight.ow Nov 115.90 118.15 118.75 115.70 Jen 118.60 118.15 118.60 118.30 Mar 121.50 Turnover: Wheat 369 (346), Berley 128 (8). Turnover loks of 100 Tonnes. M93 - London FOX (Cash Settlement) pring Close Provious Hight.ow Jun 104.0 104.0 103.5 Jun 104.0 104.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 105.0			
Oct 1576 1570 BFI 1595 1588 1570 BFI 1595 1588 1595 Turnover 362 (261) ORABUS - London FOX 270008 Wheat Close Previous Hight.ow Jen 124.20 124.06 124.50 124.05 May 130.50 130.50 130.25 Jun 132.15 132.25 132.25 132.25 Bertay Close Previous Hight.ow Nov 115.00 118.15 118.60 118.30 Jun 138.60 118.15 118.60 118.30 Jun 138.60 118.15 121.50 Turnover: Wheat 369 (346), Bartey 128 (8). Turnover: Wheat 369 (346), Bartey 128 (8). Turnover: Obs of 100 Tonnes. PPGS - London FOX (Cash Settlement) p/kg Close Previous Hight.ow Jun 104.0 104.0 105.0 Jun 104.0 106.0 105.0 Jun 108.0 106.0 105.0			
### 1585 1386 1395 Turnover 362 (261) ORABIES - London POX		1771	
OFFICE Close Previous High/Low	1595	1500	
	362 (36	11)	
Jan	_		£/tonn
Mar 127.50 127.50 127.55 127.50 May 130.50 130.50 130.25 1	Close	Previous	High/l,ow
May 130.50 130.50 130.50 130.80 130.25 Jun 132.15 132.25 132.35 132.25 Bertay Close Previous High/Low 115.00 118.50 118.15 118.60 118.70 Jun 18.60 118.15 118.60 118.30 Mar 121.50 121.50 Furnover: Wheat 389 (349), Bartey 128 (8). Furnover: Wheat 380 (349), Bartey 128 (8). Furnover: Wheat 380 (349), Bartey 128 (8). Furnover: Viheat 380 (349), Bartey 128 (8).			
Am 132.15 132.25 132.35 132.25 Bertay Close Previous High/Low Nov 115.90 118.15 115.75 115.70 Jan 118.60 118.15 118.60 118.30 Mar 121.50 121.50 Furnover: Wheat 389 (348), Bartey 128 (8). Furnover lots of 190 Yonnes. MGS - Loudon POX (Cash Settlement) p/kg Close Provious High/Low Jan 104.0 104.0 105.0 Jun 108.0 106.0 105.0 Jun 108.0 106.0 107.5			
Seriety Close Previous High/Low			
Nov 115.90 115.75 115.70 Jan 116.90 118.15 118.50 118.30 Mar 121.50 121.50 121.50 Mar 121.50 121.50 Mar 121.50 122.50 Mar 121.50 122.50 Furnover: Wheat 398 (348), Barley 128 (8), Furnover lobs of 100 Tonnes. PPGS - Loudon POX (Cash Settlement) prkg Close Provious High/Low 104.0 104.0 105.0 103.5 Jan 104.8 105.0 103.0 Jun 108.0 108.0 107.5			
Jan 118,60 118,15 118,60 118,30 121,5	Sales Services	-Tevious	
Mar 121.50 121.50 121.50 Furnover: Wheat 360 (346), Barley 128 (8). Furnover lots of 190 Tonnes. MGS - London POX (Cash Settlement) pflig Close Provious High/Low 104.0 104.0 105.0 105.0 Iun 108.0 108.0 107.5			
Furnover: Wheat 389 (348), Bartey 128 (8). Furnover lots of 100 Tonnes. PIGS - London POX (Cash Settlement) pikg Close Provious High/Low IDLD 104.0 105.0 105.0 IND 108.0 106.0 107.5	115.90	***	
Close	115.90 118.60	118.15	
Close Provious High/Low len 104.0 104.0 105.0 103.5 rob 104.8 105.0 105.0 107.5 lun 108.0 108.0 107.5	115.90 118.60 121.50		121,50
len 104.0 104.0 103.5 Feb 104.8 105.0 105.0 Fun 108.0 108.0 107.5	115.90 118.60 121.50 Wheat	360 (346), (121.50 Bartey 128 (8).
eb 104.8 105.0 105.0 iun 108.0 108.0 107.5	115.90 118.50 121.50 Wheat lots of	369 (346). (100 Tonnes POX (Ca	121.50 Bertey 128 (8).
turn 108.0 108.0 107.5	115.90 118.50 121.50 Wheat lots of	369 (346). (100 Tonnes POX (Ca	121.50 Barley 128 (8). Lash Settlement) p/k
	115.90 118.60 121.50 Wheat lots of Loudon Close 104.0	369 (346), (100 Tonnes POX (Ca Previous	121.50 Barriey 128 (8). sah Settlement) p/k High/Low 103.5
Turnover:27 (68) lots of 3,250 kg	115.90 118.60 121.50 Wheat lots of Loudon Close 104.0 104.8	389 (346), (100 Tennes POX (Ca Previous 104.0 105.0	121.50 Bartey 128 (8). salt Settlement) p/lo High/Low 103.5
	115.90 118.60 121.50 Wheat lots of Loudon Close 104.0 104.8 108.0	389 (346), (100 Yennes Pox (Ca Previous 104.0 105.0 106.0	121.50 Bertey 128 (8). Lash Settlement) pilo High/Low 103.5 103.0 107.5
rolu -		118,50 121,50 Wheat lots of	121.50 : Wheat 369 (346), I lots of 190 Yennes Loudon POX (CA

Close Prev. High Low Vol

135.15 134.69

3 months	5570-5	5575	-80	5570/666
	d High Grad			
Cash 3 months	1180-2 1180-1	1156 1156	-9 -7	1184/118 1183.5/1
LME Clean	g US rate:			
SPOT: 1.797	<u> </u>	3 mor	the: 1.	7741
LORDON B			hild)	
Gold (fine or			equiv	alent
Close Opening	365.30-365 363.70-384			
Morning fix Afternoon fit	383,75	1	202.725 202.501	l
Cey's high	385,30-385	.60	CU2.0U1	
Day's low	363.10-363			
Loco Ldn M				
1 months	4.47 4.57	6 mor		4.34 4.26
3 months	4.49			
Silver Mx	p/fine oz		JS cts	equiv
Spot 3 months	228.55 234.60		609.60	
& months	240.50		114.70 119.60	
12 months	252.05	4	(30.00	
GOLD COM	8 New Jen Service			
QOLD CORE (Prices supp	S lied by Enge S price	_	(sisteA	alent
(Prices suppl	S price 364.25-36	5.25 :	202.50-	203.00
(Prices suppl	5 price 364.25-36 374.50-37	5.25 5.50	Ащре 3	203.00 208.75
(Prices suppl Krugerrand Maple Seaf	\$ price \$ price 364.25-36 374.50-37 gn 89.00-90.0	5.25 5.50	6 equit 202.50- 208.25-	203.00 208.75
(Prices supplication) Krugerrand Maple leaf New Soverel TRADED OF Codes 550	S price S price 364.25-36 374.50-37 gn 89.00-90.1	6.25 5.50 5.50 6.50 6.50	E equit 202 50- 208 25- 49 50-5	203.00 208.75 0.00 Mar
(Prices suppi Krugerrand Maple feat New Soverei TRADED OF Collee	S price S price 364.25-36 374.50-37 gn 89.00-90.0	8-25 5-50 5-50 Mar	E equily 202 60- 208 25- 49 50-5	203.00 208.75 0.00 Mar 11 33
(Prices supplied (Prices supplied (Prices supplied (Prices Sovered (Prices Sov	\$ price \$ price 364.25-36 374.50-37 gn 89.00-90.0	8.26 5.50 5.50 Mar 52 24	202 50- 208 25- 49 50-5	203.00 208.75 0.00
(Prices supplied (Prices supplied (Prices supplied (Prices Sovereld (Price	S price S price 364.25-36 364.25-36 374.50-37 gn 89.00-90.0	8.25 5.50 5.50 Mar 52 24 10	Jan 4 19 51 Mar 22	203.00 208.75 0.00 Mar 11 33
(Prices supplied (Prices supplied (Prices supplied (Prices supplied (Prices Sovered (Prices So	S price S price 364.25-36 374.50-37 gn 89.00-90.0 Ticses Jan 61 25 8	5.25 5.50 5.50 60 60 60 60 60 60 60 60 60 60 60 60 60	Jan 4 19 51 Mar 22 32	203.00 208.75 0.00 Mar 11 33 89 May 45
(Prices suppi Krugerrand Maple feat New Soveres TRADED OF Codes 550 650 Cocces 725 775	S price S price 364.25-36 374.50-37 gn 89.00-90.0 THORES Jan 61 25 8 Mer 98	8.25 5.50 5.50 Mar 52 24 10	Jan 4 19 51 Mar 22	203.00 208.75 0.00 Mar 11 33 69 May
(Prices suppi Krugerrand Ataple feat New Soverel TRADED OF Codes 550 500 Coccs 725 776 800	S price S price 364.25-36 374.50-37 gn 89.00-90.0 THORES Jan 61 25 8 Mer 98	5.25 5.50 5.50 60 60 60 60 60 60 60 60 60 60 60 60 60	Jan 4 19 51 Mar 22 32	203.00 208.75 0.00 Mar 11 33 89 May 45
(Prices suppi Krugerrand Asple feat New Soverel TRADED OF Codes 550 500 Coccs 725 775 800	S price S price 364.25-36 374.50-37 gn 89.00-90.0 Thoses Jan 61 25 8 Mer 95 38	5.25 5.50 Mar 52 24 10 May 59 47 39	Jan 4 19 51 Mar 22 32 45 Jan 23	203.00 208.75 0.00 Mar 11 33 69 May 46 58 75
(Prices suppi Krugerrand Maple feat New Soverel TRADED OF Codes 550 650 Coccos 775 785 700	S price S price 364.25-36 364.25-36 389.00-90.0 THORES Jan 61 25 8 Mar 65 50 38	5.25 5.50 5.50 6.50 6.50 6.50 6.50 6.50 6.5	Jan 4 19 51 Mar 45 45 Jan Jan Jan	203.00 208.75 0.00 Mar 11 33 69 May 45 56 75

6	295.5-5.76	296-6		1,085 lots		C
		Total de	illy turno	ver 2,725 lots	Dec	f
0	7165-70 7230-40	7200-10	11	3,333 lots	Mar May	1:
<u> </u>				over 796 lots	النال	7
_	5490-7 5680-5				Sep Dec	13 14
<u> </u>	5050-5	5572-4		900 lots	Mar May	14
2.5	1183.5-4	LOGS CHI	y turnov	er 12,039 lots	Jut	14
148	1183-4	1165-6	35	5,507 lote	Sep	1
	6 months: 1,	7870			COFF	_
_	O HONIUM. I,			onths: 1,7314	Dec	C
					Mar	71 B
					May	87 BH
	lew Y				Sep Dec	8
-	ien i	UTK			Dec	91
G	0LD 100 tray	oz.: \$/troy o	×2.		SUGA	
Ξ	Close	Previous	High/Lo	<u> </u>		
No		384.3	0	0	Mar	8
On Ja		364.7 396.3	370.7 0	363.7 0	Mey Juj	8. 8.
Fe		387.7	374.0	386.9	Oct	8,
Α¢	n 376.6	370.2 3372.7	376.5 378.5	389.5 372.7	Mar	8.
Αι Ot		375.4 378.0	379.8 C	376.0 C	COTT	_
De		380.8	396.2	380.5		9
					Dec	6
_					Mar May	6.
P	LATENUM 60				Jul [*] Det	6
_	Cicas	Previous	High/Lo		Dec	6
	ov 371,6	370.5 373.2	0 877.0	0 372.5	Mar	6
Ji A	un 374.3 pr 376.8	375.8	379.5	376.0	May	<u> </u>
Ji	J 379.6	375.6 364.6	382.0 0	379.0 0	ORAK	_
0	ct 386.6	404.0	u	•	-	_C
					Jen Mar	10
.81	LVER 5,000 to	DY OZ. CERTS	sitroy oz.		May	10
_	Close	Pravious	High/Lo	w	Jul Sep	10
No.		407.6	0	0	Nov	7.
De	£ 412.5	408.2	415.0	406.0	Jan Mer)! f:
Je M		410.1 414.2	0 419.0	0 412.5	-	"
M		418.2	423.0	416.0	CRUD	E Q
Ju	426.3	422.0	427.0	420.5 426.5		
Se		426.0 432.0	428.5 437.0	432.0	7250	_ <u>=</u>
Ja	n 438,4	434.1 438.4	0	0	Feb	2
M	ar 442.8	436.4	439,0	439.0	Mer Jun	2
					94.	-
12	GH GRADE C	OPPER 26,0	000 lbs; o	ents/lbs		_
_	Close	Previous	High/Lo		HIDK	=
No		104.00	104.15	103.60	HEUT	and End
De Je		103,60 103,30	104,00 108,40	103.30 103.20	<u> </u>	
Fe	b 102.70	102.80	103.05	102.75	1	
M A		102.50 101.00	102 <u>.90</u>	102.20	DOW	
M	iy 101,45	101.50	101.76	101.50	<u> </u>	N
Ju Ju	n 101,00	101.05	101.40 101.00	101.40 100.80	Spot	1
Au	1 100.55 Ig 100.10	100,60 100.15	191,40 0	0	- CHICATE	-9 6

Latest	Previous	High/Low	_					
				SOYAL	SEANS 5,0	00 bu min; c	ents/60lb b	eshol :
6425 6445	6373 6394	6485	6405		Close	Previous		 -
6200	6184	6496 6240	6415 6190				High/Low	·
5925	5881	5945	5890	Jan Mar	559/5	564/4	566/4	557/6
5805	5570	5820	5805	May	586/2 573/0	570/6 577/4	573/0	564/0
5565	5530	5005	5585	Jul	580/4	577/4 585/0	579/4 586/4	572/2
5625	5575	5B40	5625	Aug	583/0	566/4	586/D	579/0 583/0
OA 10 tons	en:\$/tonnes			Sep	580/2	584/0	585/4	580/2
Close	Previous			Nov	582/6	586/4	587/2	581/4
		High/Low		Jan	591/0	596/4	594/0	591/0
1215	1221	1226	1212	SOYA	EAN OIL	60.000 lbe; c	onte (lb	
1277	1281	1283	1267	_	Close			·
1310 1343	1312 1348	1316 1340	1301 1340			Previous	High/Low	
1372	1875	1367	1386	Dec	18.80	18.91	18.90	18.56
1402	1405	1405	1405	Jen	18.76	19.07	19 07	18.65
1437	1440	0	o .	Mar May	19.11 19.36	19.41	19.41	18.90
148T	1464	0	0	Jul	19.70	19.71 19.99	19 70	18.35
1481 1501	1484	0	0	Aug	19.90	20.20	20.00 20.08	19.66
	1504		0	Sep	20.01	20.35	20.15	19.85 *** ` 20.00
ŒE °C" 37	,500lbs; cer	ts/Rps		Oct	20.00	20.35	20 00	20.00
Close	Previous	High/Low		SOYAL	IEAN MEA	L 100 tons:	F.7200	
		<u> </u>						
79.95	80.00	80.50	79.40		Close	Previous	High/Low	_
84.70 87.55	84.90	85.30	83.90	Dec	179.9	181.2	181.3	120 *
89.90	87.50 89.90	87.65 89.90	86.80 89.65	Jan	178.8	179.5	179.6	179.2 - 177.6
92,45	92.40	O CONTRACT	0	Mar	177.2	177.9	178.0	176.0
96,00	95.00	96,00	98.00	May	176.0	176.8	177.0	175.3
99.00	96.00	0	0	Jul Aug	178.5 176.8	177.5	177.7	175.9
AR WORLD	**1" 112 B	DO lbs; cent	-70	Sep	176.8	177.8	177.7	176.8
				Oct	187.0	177.8 188.7	178.6	176.0
Close	Previous	High/Low					188.0	195.5
8.44	8.34	B.49	8.37	BUAL E	9,000 50	nin: cents/5	Alb bushel	
8.44	8.30	8.47	8.37		Ctose	Previous	High/Low	
8.43	8.29	8.48	8.36	Dec	241/2	241/6		
8.43	8.31	B.46	8.36	Mar	251/2	252/2	243/2	240/8
8.37	8.27	8.38	8.35	May	257/6	259/Q	253/2	251/0
TON 50,000	adivenacy;			Ĵul	262/2	284/0	280/0 284/2	25714
Close	Previous	High/Low		Sep	257/2	258/2	259/2	257/2 1
				Doc	253/4	256/2	255/4	253/2
68.25	58.79	59.20	58.1\$	Mar	260/0	262/0	282/0	260/0
60,73	60.82	61.31	60.50	WHEAT	5.000 hu	min; centari		
61,75	61.65	62.16	61.50			THIS CONSUL	Olb-bushei	
62.60	62.38	62.80	82.30		Close	Provious	High/Low	
63.80 63.80	63.70 64.05	63.60 64.15	63.60	Dec	385/4	367/0	A	
63.90	64.05	64.15	63.75	Mer	385/4 385/4	367/0 366/2	367/4	363V7 -
		64.15 0	63.75 0	Mer May	365/4 348/4	366/2	367/6	363/2 . 7 2
63.90 65.17 65.65	64.05 65.33 66.70	64.15 0 0	63.75	Mar May Jul	385/4 348/4 323/0	366/2 348/4	367/6 349/6	365/0 . T 2 365/0
63.90 65.17 65.65	64.05 85.33	64.15 0 0	63.75 0	Mer Mey Jul Sep	385/4 348/4 323/0 328/4	366/2	367/6 349/6 326/6	365/0 . 1 2 365/0
63.90 65.17 65.65	64.05 65.33 66.70	64.15 0 cents/lbs	63.75 0	Mar May Jul Sep Oec	385/4 348/4 323/0 328/4 340/0	366/2 348/4 326/2 329/0 340/4	367/6 349/6 326/6 337/0	363/0 . 5 2 345/0 322/0 326/0
63.90 65.17 65.65 NGE JUNCE Close	64.05 65.33 66.70 15,000 lbs; Previous	64.15 0 0 cants/lbs High/Low	63.75	Mar May Jul Sep Oec	385/4 348/4 323/0 328/4 340/0	366/2 348/4 326/2 329/0 340/4	367/6 349/6 326/6 337/0	363/0 T 2 365/0 322/0 325/0 357/0 3
63.90 65.17 65.65 NGE JURCE Close 187.96	64.05 65.33 66.70 15,000 lbs; Previous 166.60	64.15 0 0 cents/lbs High/Low 188.00	198.00	Mar May Jul Sep Oec	365/4 348/4 323/0 329/4 340/0 ATTLE 40,	386/2 348/4 326/2 329/0 340/4 000 ibs; cen	367/6 349/6 326/6 337/0	363/0 . 5 2 345/0 322/0 326/0
63.90 65.17 65.65 NGE JURGE Close 187.95 189.00	64.05 65.33 65.70 15,000 lbs; Previous 166.60 168.00	64.15 0 0 cents/lbs High/Low 168.00 168.00	69.75 0 0 198.00 187.40	Mer Mey Jul Sep Ooc LIVE C	385/4 348/4 323/0 328/4 340/0	366/2 348/4 326/2 329/0 340/4	967/6 309/6 326/6 327/0 340/0	363/0 T 2 365/0 322/0 325/0 357/0 3
63.90 65.17 65.65 NGE JURGE Close 187.96 189.00 169.50	64.05 85.33 66.70 15,000 lbs; Previous 166.60 168.00 168.46	64.15 0 0 cents/lbs High/Low 168.00 169.00	199.00 157.40 167.90	Mer Mey Jul Sep Ooc Live C	365/4 348/4 323/0 329/4 340/0 ATTLE 40 Close	366/2 348/4 326/2 329/0 340/4 000 lbs; cen Previous	967/6 349/6 326/6 327/0 340/0 ts/lbs	36500 . 10 34500 . 32200 32540 . 3
63.90 65.17 65.65 NGE JURGE Close 187.95 189.00	64.05 65.33 65.70 15,000 lbs; Previous 166.60 168.00	64.15 0 0 Cents/lbs High/Low 168.00 169.00 169.50	63.75 0 0 166.00 167.40 167.90 168.00	Mer Mey Jul Sep Dec LIVE C	365/4 348/4 323/0 329/4 340/0 ATTLE 40,	366/2 348/4 325/2 329/0 340/4 000 ibs; cen Previous 74.55	967/6 349/6 326/6 337/0 340/0 ts/lbs High/Low 74,72	36302 10 34540 32270 32640 33779 3
63.80 65.17 65.65 NGE JUNCE Close 167.95 169.50 169.50 168.00	64.05 65.33 66.70 15,000 lbs; Previous 168.60 168.00 168.46 167.90	64.15 0 0 cants/lbs High/Low 189.00 189.00 189.50 186.50	63.75 0 0 168.00 167.40 167.90 168.00	Mer Mey Jul Sep Ooc LIVE C Dec Feb Apr	365/4 349/4 323/0 329/4 340/0 ATTLE 40, Close 74.50	366/2 348/4 326/2 329/0 340/4 000 ibs; cen Previous 74.65 75.10	367/6 369/6 326/6 326/6 340/0 340/0 ts/lbs High/Low 74,72 76,40	36500 3220 3250 3250 3270 3270 3270 3270 3270 3270 3270 327
63.90 65.17 65.65 Close 167.95 189.00 169.50 169.00	64.05 65.33 65.70 15,000 lbs; Previous 166.60 168.00 168.45 167.90	64.15 0 0 Cents/lbs High/Low 168.00 169.00 169.50	63.75 0 0 196.00 187.40 187.90 168.00 186.00 157.00	Mer Mey Jul Sep Oec LIVE C Dec Feb Apr Jun	385/4 348/4 323/0 329/4 340/0 ATTLE 40, Close 74.50 75.32 75.27 71.50	386/2 348/4 326/2 329/0 340/4 000 ibs; con Previous 74.55 75.10 75.10	367/6 349/6 338/6 331/0 340/0 45/0s High/Low 74.72 75.40	36500 32200 32800 32700 35700 37400 74400 74400
63.90 65.17 65.65 Close 167.95 169.00 169.50 168.00 167.25 158.25	64.05 65.33 65.70 15,000 lbs; Previous 166.60 168.00 168.45 167.90 164.73	64.15 0 0 Canto/lbs High/Low 168.00 169.00 169.50 169.50 159.00	63.75 0 0 168.00 167.40 167.90 168.00	Mar May Jul Sep Oec Live C Dec Feb Apr Jun Aug	385/4 348/4 323/0 329/4 340/0 ATTLE 40, Close 74.50 75.32 75.27 71.50 99.47	388/2 348/4 326/2 329/0 340/4 000 ibs; cen Previous 74.55 75.10 75.10 71.20	367/6 349/6 329/6 331/0 340/0 high/Low 74,72 75,40 71,55	3650 3650 3250 3276 3276 3776 3776 74.87
63.90 65.17 65.65 Close 167.96 169.00 169.50 168.00 167.25 158.25	64.05 65.33 66.70 15.000 lbs; Previous 168.60 168.00 168.45 167.90 154.73 154.00	64.15 0 0 Canits/lbs High/Low 169.00 169.50 169.50 169.50 156.50	198.00 187.40 167.90 187.00 187.00 157.00 157.00	Mar May Jul Sep Dec LIVE C Dec Feb Apr Jun Aug Oct	385/4 348/4 328/4 329/4 340/0 ATTLE 40, Close 74.50 75.32 75.27 71.50 69.47 69.75	386/2 346/4 326/2 329/0 340/4 000 ibs; cen Previous 74.55 75.10 75.10 75.10 93.10	367/6 349/6 339/6 331/0 340/0 13/108 High/Low 74.72 75.40 71.55 69.60	36500 36500 32200 32500 357/8 74.057 74.057 74.057 74.057
63.90 65.17 65.65 NGE JUICE Close 187.95 189.50 169.50 169.50 169.50 155.45	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.00 168.00 164.73 154.00 154.00	64.15 0 0 canta/lbs High/Low 188.00 188.00 189.50 189.50 159.50 0	195.90 157.40 168.90 168.90 168.90 168.90 168.90 168.90 108.90 108.90 108.90 108.90 108.90 108.90 108.90	Mar May Jul Sap Oec LIVE C Dec Feb Apr Jun Aug Oet Dec	365/4 348/4 328/4 328/4 340/0 ATTLE 40, Close 74.50 75.32 75.27 71.50 99.47 69.75 70.60	388/2 348/4 326/2 329/0 340/4 000 ibs; cen Previous 74.65 75.10 75.10 71.20 69.10 69.50	367/6 309/6 309/6 32/00 340/0 340/0 15/05 High/Low 74,72 75,40 71,55 69,60 99,90	36310 30 3650, 3220 3220 3576 3 74.76 74.76 74.87 71.00 69.75
63.90 65.17 65.65 NGE JUICE Close 187.95 189.50 169.50 169.50 169.50 155.45	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.00 168.00 164.73 154.00 154.00	64.15 0 0 Canits/lbs High/Low 169.00 169.50 169.50 169.50 156.50	195.90 157.40 168.90 168.90 168.90 168.90 168.90 168.90 108.90 108.90 108.90 108.90 108.90 108.90 108.90	Mar May Jul Sap Oec LIVE C Dec Feb Apr Jun Aug Oet Dec	365/4 348/4 328/4 328/4 340/0 ATTLE 40, Close 74.50 75.32 75.27 71.50 99.47 69.75 70.60	388/2 348/4 326/2 329/0 340/4 000 ibs; cen Previous 74.65 75.10 75.10 71.20 69.10 69.50	367/6 309/6 309/6 32/00 340/0 340/0 15/05 High/Low 74,72 75,40 71,55 69,60 99,90	3690 3220 3680 3220 3278 3 74.05 74.05 74.00 69.01 70.00
63.90 65.17 65.65 NGE JUICE Close 187.95 189.50 169.50 169.50 169.50 155.45 155.45	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.00 168.00 164.73 154.00 154.00	64.15 0 0 canta/lbs High/Low 188.00 188.00 189.50 189.50 159.50 0	195.90 157.40 168.90 168.90 168.90 168.90 168.90 168.90 108.90 108.90 108.90 108.90 108.90 108.90 108.90	Mar May Jul Sap Oec LIVE C Dec Feb Apr Jun Aug Oet Dec	365/4 348/4 348/4 325/4 349/0 ATTLE 40, Chose 74.50 75.32 75.27 75.27 75.90 98.47 98.75 70.90	388/2 348/4 325/2 325/0 340/4 000 ibs; con Previous 74.55 75.10 75.10 75.10 69.50	367/6 309/6 309/6 32/00 340/0 340/0 15/05 High/Low 74,72 75,40 71,55 69,60 99,90	3690 37 3680 3220 3280 3276 3 74.07 74.07 74.07 71.00 69.10
63.97 65.85 165.65 Close 187.95 169.00 169.5	64.05 65.70 15.000 lbe; Previous 166.60 168.00 168.45 167.90 164.75 154.00 154.00 154.00 154.00 154.00 154.00	04.15 0 0 cente/lbs High/Low 189.00 169.00 169.00 169.50 159.00 156.50 0	63.75 0 0 195.00 157.40 167.90 168.00 168.00 167.00 168.00	Mar May Jul Sap Oec LIVE C Dec Feb Apr Jun Aug Oet Dec	365/4 348/4 328/4 328/4 340/0 ATTLE 40, Close 74.50 75.32 75.27 71.50 99.47 69.75 70.60	398/2 348/4 329/2 329/0 340/4 000 ibs; con Previous 74.55 75.10 75.10 75.10 69.50 70.56	367/6 399/6 329/6 331/0 340/0 85/1bs High/Low 74,72 75,40 75,40 75,55 69,60 99,90 70,75	3690 50 3680 52 3220 3220 3270 5 3770 5 74.05 5 74.05 5 74.00 5 9.10 6
63.97 65.85 V65.85 Close 197.95 189.50 169.50 169.50 169.50 167.25 155.45 155.45 155.45 25 OB. (Lig	64.05 95.33 95.70 15.000 lbs; Previous 168.60 168.00 168.00 168.00 168.47 154.70 154.70 154.70 154.00 Previous 21.98	04.15 0 0 cants/lbs High/Low 198.00 198.00 199.50 199.50 196.50 0 S galls &/b High/Low 22.20	63.75 0 0	Mer May Jul Sep Dec Feb Apr Jun Oct Dec LIVE H	365/4 348/4 348/4 329/4 340/0 ATTLE 40, Close 74.50 75.32 75.22 75.22 75.27 71.50 99.47 68.75 70.68 40,00 G6098	398/2 348/4 329/2 329/0 340/4 000 ibs; cen Previous 74.55 75.10 75.10 75.10 69.50 70.56 0 lb; cents/i	367/6 3996 3296 327/0 340/0 85/158 High/Low 74,72 75,40 75,40 75,40 75,50 69,50 70,75 bu	3690 50 3680 52 3220 3220 3270 5 3770 5 74.05 5 74.05 5 74.00 5 9.10 6
63.97 65.85 VGE: JUICES Close 187.95 189.00 189.00 189.00 187.25 198.25	64.05 65.30 15.000 lbs; Previous 166.60 168.00 168.00 168.45 154.00 154.00 154.00 154.00 154.00 21.99 21.99	04.15 0 0 Center/ibs High/f.ow 169.00 169.00 169.00 169.50 159.50 0 S galls &/o High/Low 22.20	63.75 0 0 0 196.00 187.40 187.40 189.00 188.00 189.	Mar May Jul Sap Oec LIVE C Dec Feb Apr Jun Aug Oet Dec	365/4 348/4 348/4 323/0 329/4 340/0 ATTLE 40, Close 74.50 75.27 71.50 98.75 70.80 OG\$ 40,00 Close	388/2 348/4 328/2 329/0 329/0 340/4 000 ibs; cen Previous 74.55 75.10 75.10 75.10 69.10 69.50 70.56 0 lb; cents/i Previous	367/6 349/6 329/6 329/6 331/0 340/0 85/058 High/Low 74.72 75.40 75.40 75.40 71.55 69.60 99.90 70.75 bu	3690 70 3690 70 3290 3378 3 7407 7476 77 7487 7487 7188 7188 7188 7188 7188 7188
63.87 65.85 MGE JURCE Close 187.95 180.00 189.00 189.25 195.46 195.45 25.45 22.05 21.87 21.87 21.87	64.05 65.70 15.000 lbs; Previous 168.60 168.05 168.00 168.05 168.47 154.00	64.15 0 0 cents/lbs High/Low 168.00 168.00 169.00 169.00 159.50 159.50 0 S galls &/b High/Low 22.20 22.02	63.75 0 0	Mer May Jul Sep Dec Feb Apr Jun Aug Oct Dec LIVE H	365/4 349/4 349/0 329/4 349/0 Chose 74.50 75.32 75.27 71.50 69.47 69.75 70.90 GGS 40,00 Chose 41,92 41,92 41,92 42,75	398/2 348/4 348/4 329/2 329/0 340/4 000 ibs; con 74.55 75.10 75.10 76.10 69.10 69.50 70.55 0 lb; conts/i Previous 42.52 43.22	367/6 349/6 329/6 329/6 331/0 340/0 85/058 High/Low 74.72 75.40 75.40 75.40 71.55 69.60 99.90 70.75 bu	3690 70 3690 70 3290 3378 3 7407 7476 77 7487 7487 7188 7188 7188 7188 7188 7188
63.97 65.85 VGE: JUICES Close 187.95 189.00 189.00 189.00 187.25 198.25	64.05 65.30 15.000 lbs; Previous 166.60 168.00 168.00 168.45 154.00 154.00 154.00 154.00 154.00 21.99 21.99	04.15 0 0 Center/ibs High/f.ow 169.00 169.00 169.00 169.50 159.50 0 S galls &/o High/Low 22.20	63.75 0 0 0 196.00 187.40 187.40 189.00 188.00 189.	Mer May Sep Oec Feb Apr Jun Aug Oct Dec LIVE H	365/4 349/4 329/0 329/4 340/0 Chase 74.50 75.32 75.32 75.27 71.50 99.75 70.60 69.75 70.60 41.92 42.75 40.40	398/2 348/4 329/2 329/0 340/4 000 ibs; cen Previous 74.55 75.10 75.10 75.10 69.50 70.56 0 lb; cents/i Previous 42.52 43.72	567/6 309/6 309/6 331/0 340/0 15/10s High/Low 74,72 75,40 75,40 75,40 75,40 76,90 99,90 70,75 0 High/Low 42,46 43,75	3699 30 3690 32 3290 3276 3 7457 3 7457 7 7457 7 7457 7 7457 7 7457 7 7457 7 7457 7 7457 7 7457 7
63.87 65.85 MGE JURCE Close 187.95 180.00 189.00 189.25 195.46 195.45 25.45 22.05 21.87 21.87 21.87	64.05 95.33 95.70 15.000 lbs; Previous 168.60 168.40 168.90 168.47 154.00	64.15 0 0 cents/lbs High/Low 168.00 168.00 169.00 169.00 159.50 159.50 0 S galls \$/b High/Low 22.20 22.02	63.75 0 0	Mer May Sep Ooc Feb Apr Jun Oct Dec LIVE H	365/4 349/4 349/4 349/4 349/4 349/4 74-50 75-32	388/2 348/4 328/2 329/0 329/0 340/4 000 ibs; cen 74.55 75.10 75.10 75.10 69.10 69.50 0 lb; cents/i Previous 42.52 43.22 43.27 45.97	367/6 349/6 329/6 329/6 349/0 349/0 349/0 75,40 75,40 75,40 71,55 59,60 99,90 70,75 bm Hightlow 42,45 43,75	3690 50 3690 50 3220 3280 5578 3 7437 7437 7437 7130 68,10 6
63.87 65.85 MGE JURCE Close 187.95 180.00 189.00 189.25 195.46 195.45 25.45 22.05 21.87 21.87 21.87	64.05 95.33 95.70 15.000 lbs; Previous 168.60 168.40 168.90 168.47 154.00	64.15 0 0 cents/lbs High/Low 168.00 168.00 169.00 169.00 159.50 159.50 0 S galls \$/b High/Low 22.20 22.02	63.75 0 0	Mer May Sep Oec Feb Apr Jun Aug Oec LIVE H	365/4 349/4 349/0 329/4 349/0 Chose 74.50 75.32 75.27 71.50 98.47 69.75 70.90 GG\$ 40,00 41,92 42,75 40,40 45,95	39872 34874 32972 32970 34074 000 ibs; con 74.55 75.10 75.10 75.10 69.10 69.50 70.55 0 lb; conts/s Previous 42.52 43.22 40.76 43.90	367/6 349/6 328/6 328/6 349/0 349/0 75/69 75/40 75/40 75/40 75/40 75/40 75/40 76/40 76/40 76/40 76/40 40/75 40/75 45/75	3690 70 3490 3290 3290 3276 3 7437 7437 7437 7437 7437 7437 7437 74
63.97 65.85 NGE: JUICES Close 187.95 189.50 169.50 169.50 187.25 195.45	64.05 95.33 95.70 15.000 lbs; Previous 168.60 168.40 168.90 168.47 154.00	64.15 0 0 cents/lbs High/Low 168.00 168.00 169.00 169.00 159.50 159.50 0 S galls \$/b High/Low 22.20 22.02	63.75 0 0	Mer May Sep Dec Feb Apr Jun Dec LIVE H	365/4 349/4 323/4 323/4 323/4 349/0 ATTLE 40, 74.50 75.52 75.52 75.52 71.50 69.75 70.60 69.75 70.60 41.92 42.75 42.75 44.50 45.90 44.50	388/2 348/4 328/2 329/0 329/0 329/0 340/4 000 ibs; cen 74.55 75.10 75.10 75.10 75.20 69.10 69.50 70.55 0 lb; cents/i Previous 42.52 43.22 43.97 44.99 44.99	567/6 3-916 3-296 3-296 3-296 3-290 3-100	5000 50 3650 3220 3280 3578 3 74.76 76 76 76 76 76 76 76 76 76 76 76 76 7
63.97 65.85 NGE JUICES Close 187.95 189.00 189.00 187.25 198.26 198.26 198.46 1	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.00 168.7.90 164.7.	04.15 0 0 Cents/lbs High/Low 168.00 168.00 168.50 159.00 158.50 0 S galls \$/b High/Low 22.20 21.25	63.75 0 0 0 195.00 197.40 197.40 198.00 198.00 198.00 198.00 198.00 20.00 21.81 21.83 21.15	Mery Jul Sep Dec Feb Apr Jun Aug Oct Dec LIVE H	365/4 349/4 349/0 329/4 349/0 Chose 74.50 75.32 75.27 71.50 98.47 69.75 70.90 GG\$ 40,00 41,92 42,75 40,40 45,95	398/2 348/4 328/2 329/0 329/0 340/4 000 ibs; cen 74.55 75.10 75.10 75.10 69.10 69.50 60 60 60 60 60 60 60 60 60 60 60 60 60	367/6 349/6 329/6 329/6 33/6/0 349/0 349/0 75,40 75,40 71,55 69,60 99,90 70,75 bn High/Low 42,46 43,29 40,75 45,75 45,75 45,75 45,85 44,26 41,26	5000 50 3650 3220 3280 3578 3 74.76 76 76 76 76 76 76 76 76 76 76 76 76 7
63.97 65.85 Close UNCE Close 187.95 189.00 189.00 189.25 195.25 195.45 1	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.00 168.00 164.7s 154.00 154.00 154.00 154.00 154.00 21.84 21.85 21.14	04.15 0 0 Cents/lbs High/Low 169.00 169.00 169.00 169.50 159.50 0 IS galls \$/b High/Low 22.20 21.25	63.75 0 0	Mer May Jul Sep Oec Feb Apr Jun Jul Aug Oet Feb Apr Jun Jul Aug Oec Ceb Oec Ceb Oec Ceb Oec Dec	365/4 349/4 349/0 329/4 349/0 Chase 74.50 75.32 75.32 75.32 75.32 75.32 75.32 76.63 44.90 46.90	398/2 348/4 328/2 329/0 340/4 000 ibs; cen Previous 74.55 75.10 75.10 75.10 69.10 69.50 70.35 0 lb; cents/i Previous 42.52 43.22 43.22 41.75 41.97 44.72 41.75	367/6 349/6 329/6 329/6 33/8/0 349/0 349/0 High/Low 14,72 76,40 75,40 71,55 59,60 99,90 70,75 bu High/Low 42,45 43,75 45,76 45,75 44,50 41,25	3690 53 3690 53 3290 3378 3 7487 7487 7487 7487 7487 7487 7487 7487
63.97 65.85 NGE JUICES Close 187.95 189.00 189.00 187.25 198.26 198.26 198.46 1	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.00 168.7.90 164.7.	04.15 0 0 Cents/lbs High/Low 168.00 168.00 168.50 159.00 158.50 0 S galls \$/b High/Low 22.20 21.25	63.75 0 0	Mer May Jul Sep Oec Feb Apr Jun Jul Aug Oet Feb Apr Jun Jul Aug Oec Ceb Oec Ceb Oec Ceb Oec Dec	365/4 349/4 349/4 349/6 349/6 74-53 75-32 75-32 75-32 75-37 75-32 75-37 75-37 75-37 75-37 41-92	398/2 348/4 328/2 329/0 340/4 000 ibs; cen Previous 74.55 75.10 75.10 75.10 69.10 69.50 70.35 0 lb; cents/i Previous 42.52 43.22 43.22 41.75 41.97 44.72 41.75	367/6 349/6 329/6 329/6 33/8/0 349/0 349/0 High/Low 14,72 76,40 75,40 71,55 59,60 99,90 70,75 bu High/Low 42,45 43,75 45,76 45,75 44,50 41,25	3690 3000 3000 3000 3000 3000 3000 3000
63.97 65.85 Close UNCE Close 187.95 189.00 189.00 189.25 195.25 195.45 1	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.00 168.00 164.7s 154.00 154.00 154.00 154.00 154.00 21.84 21.85 21.14	64.15 0 0 cents/lbs High/Low 168.00 168.00 169.00 169.00 159.50 159.50 0 S galls &/b High/Low 22.20 21.25	63.75 0 0	Mer May Jul Sep Oec Feb Apr Jun Jul Aug Oet Pec Jun Jul Aug Oec Cet Jun Jul Aug Oec Cet Dec Dec Dec Dec Dec Dec Dec Dec Dec Dec	365/4 349/4 349/4 349/6 349/6 74-53 75-32 75-32 75-32 75-37 75-32 75-37 75-37 75-37 75-37 41-92	398/2 348/4 328/2 329/0 329/0 329/0 340/4 000 ibs; cen 74.55 75.10 75.10 71.20 69.10 69.50 70.55 0 lb; cents/i 42.52 43.22 43.22 44.76 45.97 45.90 44.72 41.30 0,000 ibs; cen	367/6 349/6 329/6 329/6 331/0 340/0 340/0 75.40 75.40 75.40 75.40 75.55 69.60 99.90 70.75 50 40.75 45.75 45.75 45.75 45.75 45.75 45.75 45.75 45.75	3690 53 3690 53 3220 3290 53 7407 7407 7407 7407 7407 7407 7407 7407
63.87 65.85 MGE JURCE Close 187.95 180.00 189.00 189.25 195.45 195.45 195.45 205 21.57 21.67 21.67 21.67 21.67 21.67 21.67 21.67 21.68	64.05 95.33 95.70 15.000 lbs; Previous 166.60 168.45 167.90 168.45 154.00 154.0	04.15 0 cents/lbs High/Low 198.00 198.00 198.00 198.50 196.50 196.50 0 IS galls &/b High/Low 22.20 22.02 21.25 r 16 1931 = rinth sgo 1	63.75 0 0	Mer May Jul Sep Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec Polix (365/4 349/4 349/4 349/6 349/6 74-53 75-32 75-32 75-32 75-37 75-32 75-37 69.47 69.75 70.69 44.90 46.90	398/2 348/4 328/2 329/0 329/0 340/4 000 ibs; cen 74.55 75.10 75.10 99.10 69.50 70.55 0 lb; cents/i Previous 42.52 43.22 40.76 45.97 45.90 41.25 41.30 0.000 ibs; cen	367/6 349/6 329/6 329/6 331/0 340/0 340/0 75.40 75.40 75.40 75.40 75.55 69.60 99.90 70.75 50 40.75 45.75 45.75 45.75 45.75 45.75 45.75 45.75 45.75	3690 5390 5390 5390 5390 5390 5390 5390 53
63.97 95.85 MGE JURCE Close 197.95 198.00 197.95 198.00 198.25 195.45 19	64.05 65.70 15.000 lbs; Previous 168.60 168.05 168.45 167.90 154.73 154.00 154.00 154.00 21.84 21.96 21.84 21.96 21.84 21.96 21.84 21.96 21.84 21.96 21.84 21.85 21.85 21.85 21.85 21.86	04.15 0 0 cants/lbs High/Low 198.00 198.00 199.50 199.50 196.50 196.50 0 IS galls &/b High/Low 22.20 22.02 21.25 # 16 1931 = Innth ago ; 1974 = 10	63.75 0 0	Mer May Sep Oec Live C Live C Live C Live C Live C Live C Live H Dec Live H Dec Feb Apr Jun Jul Aug Oet Dec Potes (Potes C Po	365/4 349/4 349/0 329/4 340/0 Chase 74.50 75.32 75.32 75.32 75.32 75.32 75.32 75.32 75.32 40.47 48.75 40.40 41.75 42.75 40.40 41.75 41.80	388/2 348/4 328/2 329/0 340/4 000 lbs; cen Previous 74.56 75.10 75.10 69.10 69.50 10; cents/i Previous 42.52 43.22 40.76 43.97 44.90 44.72 41.80 9.000 lbs; cen	367/6 349/6 326/6 326/6 326/6 327/0 340/0 85/08 High/Low 74.72 75.40 75.40 75.40 75.40 76.90 99.90 70.75 59.60 99.90 70.75 59.60 40.75 45.75 45.75 44.50 41.25 0	3690 3390 3290 3290 3278 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
63.87 65.85 MGE JURCE Close 187.95 180.00 189.00 189.25 195.45 195.45 195.45 205 21.57 21.67 21.67 21.67 21.67 21.67 21.67 21.67 21.68	64.05 65.70 15.000 lbs; Previous 168.60 168.05 168.45 167.90 154.73 154.00 154.00 154.00 21.84 21.96 21.84 21.96 21.84 21.96 21.84 21.96 21.84 21.96 21.84 21.85 21.85 21.85 21.85 21.86	04.15 0 cents/lbs High/Low 198.00 198.00 198.00 198.50 196.50 196.50 0 IS galls &/b High/Low 22.20 22.02 21.25 r 16 1931 = rinth sgo 1	63.75 0 0	Mer May Sep Ooc Live C Dec Feb Apr Jun Aug Oct Pec Apr Jun Aug Oct Pec Pohr I Dec Pohr I	365/4 349/4 349/4 349/4 349/4 349/4 74.50 75.32	388/2 348/4 328/2 329/0 329/0 329/0 340/4 000 ibs; cen 74.55 75.10 75.10 75.10 75.10 75.20 69.10 69.50 70.55 0 lb; cents/i Previous 42.52 43.27 43.97 45.90 44.72 41.80 9.000 lbs; ce Previous	367/6 349/6 326/6 326/6 326/6 327/0 340/0 85/08 High/Low 74.72 75.40 75.40 75.40 75.40 76.90 99.90 70.75 59.60 99.90 70.75 59.60 40.75 45.75 45.75 44.50 41.25 0	3690 3390 3290 3290 3278 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
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63.97 65.85 NGE JUICES Close 187.96 180.00 187.96 180.00 180.50 182.25 185.46 185.46 22.05 21.87 27.63 21.13 CCSS IERG (Best Poly 2) 182.25 185.46 18	64.05 65.33 65.70 15.000 lbs; Previous 168.60 168.00 168.45 157.90 154.0	64.15 0 0 canto/libs High/Low 168.00 168.00 169.50 169.50 156.50 0 S galls &/b High/Low 22.20 21.80 21.25 # 16 1831 = # 16 1831 = # 16 1831 = # 16 1831 = # 16 1831 = # 16 1831 =	63.75 0 0 195.00 197.40 197.40 197.40 197.50 198.00	Mery May Jul Sep Geo Livre C Dec Livre C Dec Livre H Dec Feb Apr Jun	365/4 349/4 349/4 323/4 323/4 349/0 349/0 74.50 75.32 75.32 75.32 75.32 75.32 75.32 75.32 75.32 75.32 75.32 75.32 41.90 42.75 42.75 44.90 44.90 44.90 44.90 44.90 44.90 44.90 44.90 44.90 44.90 46.90	386/2 348/4 326/2 329/0 340/4 000 lbs; con Previous 74.55 75.10 75.10 75.10 69.10 69.50 77.55 0 lb; cents/i Previous 42.52 43.22 40.76 43.97 41.90 44.72 41.80 9.000 lbs; con Previous	367/6 349/6 329/6 329/6 329/6 33/6/0 349/0 55/bs High/Low 42.40 75.40 71.55 69.60 69.90 70.75 bn High/Low 42.45 43.20 44.75 45.75 45.75 45.75 45.75 41.25 0 119/10/10/10/10/10/10/10/10/10/10/10/10/10/	5000 50 3000 50 3000 50 3000 50 3000 50 74.00 10.00

LONDON STOCK EXCHANGE

Share prices slide in nervous trading

By Terry Byland, UK Stock Market Editor

NERVOUSNESS over the outlook for Wall Street and for domestic interest rates contined to unsettle the London stock market yesterday. The Bundesbank's decision to leave German interest rates unchanged for the present did little to lift the burden of uncertainty over UK rates as
Loudon money market rates
again signalled upward pressures. Political tensions
increased as the UK House of
Commons debates. Commons debated the proposals for European economic and political union. The FT-SE Index gave back the nine-point gain of the previous session, closing 9.1 down at 2.463.5.

CONTRACTOR STATES

t delays

The one consolation for Londone equity traders was that volume in equities was low, with trading fading away in the afternoon when the New

· Accoun	t Dealing	Dates
"First Dealings; Nov 11	Nov 25	Dec 9
Option Declarati Nov 21	Dec 5	Dec 23
Lest Declings: Nov 22	Dec 6	Dec 27
Account Day: Dec 2	Dag 16	Jan 6
New time deals 8,30 and two bus	ineas days e ineas days e	place from order.

York stock market opened the new trading session without a significant trend; the Dow showed a gain of 4.25 in UK business hours. Traders agreed that, with

any cut in UK base rates apparently ruled out by weak-ness in sterling and the out-look for Wall Street negative, the UK market continues to face an uncertain outlook. behind a sluggish performance

from Wall Street overnight and, in spite of the absence of the widely-predicted rights issue from Cable and Wireless, drifted lower throughout the session. The lowest point of the day, a fall of 19.2 to 2,458.4 on the Footsie, was reached as London waited for New York to open. The relatively steady start on Wall Street proved enough to promote a swift rally in London share prices, although it did not inspire

increased trading volume.

The lack of confidence across the wide range of the stock market left share prices to respond to specific situations. British Gas edged firmer on news of a higher dividend pay-ment, and Cable and Wireless he UK market continues to ment. and Cable and Wireless rose sharply after pleasing the Equities opened lower market with good profit figures as well as its omission of fund-

raising moves.

The bid sector was brought to life again by sudden rush of suggestions that Ultramar could shortly face a determined US counter bidder to outface the Lasmo offer. Insurance stocks weaked as analysts continued to take a hard look at the problems posed by the collapse in the UK

where housing repossessions are placing substantial claims on the UK mortgage insurers. Seaq-reported trading vol-ume slipped to 534.1m shares from Wednesday's 481.2m, reviving concern over the prof-itability of London-based secu-rities firms. Wednesday's volume reflected retail or customer business worth £980.9m, indicating a slowdown in genuine investment busi-

306p. Smith New Court argues that the stock has been over-looked and it remains a buyer.

Courtaulds firmed 3 to 479p following raised interims on

wednesday. Hoare Govett argues that in spite of Court-aulds' outstanding performance this year it remains undervalued, but Nomura Research believes: "The shares have run too far."

There was a pause in the slide of Maxwell Communication Corporation shares, which held at 36p. Mirror Group Newspapers made fresh headway on bid speculation but settled in the afternoon with a

gain of only a penny at 127p. UBS Phillips & Drew men-tioned MGN at its morning

meeting Mr Colin Tennant of UBS said: "People keep on talking about a possible bid,

but even without one the

shares are undervalued on fun-

Arjo Wiggins Appleton rose

sharply on takeover talk after a share and bond swap bid by Saint Louis for the 58.58 per cent of the Arjomari-Prioux shares it does not already own,

paper analysts said. Arjomari-Prioux, Saint Louis and Worms

Prioux, Saint Louts and Worms et Cie own 39 per cent of Arjo Wiggins. The shares were up 25 at one stage before backtracking to close 5 up on the day at 259p. Turnover came to 4.5m. New-time buying on expectations of encouraging full-year figures on December 2 spurred Airtours ahead 28 to 854p.

Sportswear retailer Black Leisure climbed 13 to 130p.

Leisure climbed 13 to 130p

after a buyer of 500,000 shares moved into the market and the company met Scottish institu-

Brewer Morland & Co jumped 17 to 360p following increased full-year profits and a raised dividend.

An in-depth note on Coats

Viyella from a leading UK-based securities house helped the shares to hold steady at 176p. Barclays de Zoete Wedd has changed its investment

advice from recommending holding to buying the stock. Worries over the T & N final dividend were calmed after the

chairman said his sale of about 80,000 shares was conducted for personal reasons. However,

sentiment was further weak-ened by the company being

included in a UBS Phillips

& Drew research document on the list of companies forecast to cut their final dividend. At

worst the shares were down 13

but they rallied to end 10 off at 115p on turnover of 5.8m.

Insurance

damentals."

domestic housing market,

inter-dealer business. Yesterday's selling reflected profit-taking ahead of the close of the equity trading account tonight. The two week account has brought a substantial set-back in share prices as London has reacted to the shakeout on Wall Street and to the dashing of hopes for an early cut in UK base rates. Many of the market dealers who have inspired the bulk of market activity this week were inclined to take

profits yesterday rather than take the risk of a further fall on Wall Street overnight. Strategists at Credit Lyonnais capital Markets summar-ised the problems yesterday; "Spare a little thought for our policy-makers. No matter what they do it seems they just cannot win at the moment".

Fixed interest nesss as share prices rallied on Ordinary Chare 6 157.8 156.5 153.2 151.9 149.8 158.0 127.0 734.7 43.5 (22/2) (15/2/83) (26/10/71) Gold Mines (11/7) 2463.5 2472.6 2463.1 2502.9 2548.6 2127.9 FT-SE 100 Share 2679.6 2054.8 2679.6 986.9 (16/1) (2/9/91) (23/7/64) 1198.60 838.62 1198.60 838.62 (3/9) (16/1) (3/9/91) (16/1/91) 1119.14 1124.021 1122.47 1134.49 1161.16 Basis 100 Gavt. Sees 15/10/26, Pland let, 1826, Ordinary 1/7/26, Spig mines 12/9/56. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eustanack 200 26/10/90 & 88 16/00. 9 Partial 6,18 7.40 17.02 5.11 7.35 17.13 5.03 5.77 7.23 12.06 17 41 10.04 ●Ord, Div. Yield ●Earning Yid %(full) ●P/E Ratio(Net)(☆) 7.41 16.96 24,905 25,821 26,955 33,963 24,917 26,952 989,86 1031,16 1122,13 932,03 872,65 25,280 25,835 32,383 24,497 24,554 424.4 398.8 401.1 384.8 402.5 SEAC Bargns 4.45cm Equity Turnover(Em)† Equity Bargains† Shares Traded (mi)† GILT EDGED ACTIVITY Nov 20 Nov 19 Indices" Gilt Edged Ordinary Share Index, Hourty changes Day's High 1898.1 Day's Low 1881.5 75.3 91.3 Open 1897.8 9 am 1895.8 10 am 1891.4 11 am 1883.7 12 pm 1886.5 1 pm 1886.2 2 pm 1886.7 3 pm 1881.8 4 pm 1888.5 5 - Day average 88.0 90.2 "SE Activity 1974. Day's High 2471.1 Day's Low 2453 4 FT-SE 100, Hourly changes Open 2471.1 9 am 2466.6 10 am 2468.0 11 am 2468.0 12 pm 2460.1 1 pm 2460.2 2 pm 2460.1 3 pm 2463.9 4 pm 2463.2 †Excluding intra-market business & Overseas lurnover. London report and FT-SE Eurotrack 200, Hourly changes † Day's High 1122.38 Day's Low 1117.06 latest Share index: Tel. 0898 123001 Open 10 am 11 am 12 pm 1 pm 2 pm 3 pm 1120.28 1120.58 1120.23 1121.30 1121.89 1120.58 11171.79 TRADING VOLUME IN MAJOR STOCKS

FINANCIAL TIMES STOCK INDICES

Alert on Ultramar battle

themselves for imminent developments on the Ultramar bid front as stories circulated that a rival offer to Lasmo's area.

a rival offer to Lasmo's one-forone-terms was pending.
Atlantic Richfield (Arco), the
US oil and gas group, was said
to the favourite. Rumours
suggested that Arco would
make a 375p a share offer. Stories-of a higher bid originated
in the traded options market,
where hints of the Lagrap hid where hints of the Lasmo bid first emerged. Ultramar shares closed a net

16 higher at 330p with turnover at 3.6m, much higher than usual. Strong buying by one leading US investment bank previously associated with cor-porate moves undertaken by Arco increased the bid speculation. A dealer said: "It looks as if a poacher could have been at work, possibly accumulating a small stake before launching a full bid." Lasmo, given a rough ride in the market recently, forged ahead 15 to 300p.

Asda busy

Asda topped by far the list of active stocks in the FT-SE 100 constituents after a substantial profits downgrade by Hoare-Govett, the UK broker. Hoare reduced its current year profits forecast from £126m to £85m now easily the lowest of mar-ket lestimates, which range up to £110m - blaming poor trad-

ing at Asda's supermarkets. Adding to yesterday's weaklast year's profits. However, Asda commented: "Absolutely no new information was imparted today; we are not restating any numbers."

Mr Patrick Gillam, Asda's chairman, and Mr Archie Norman, the newly appointed chief executive, are understood to have met several City food retalling specialists yesterday.
The shares retreated to 36%p before closing a net 2% down

at 38 kp. Turnover was exceptionally heavy at 28m shares, and Asda was also the second most active instrument in the traded options market.

Gas in demand

British Gas gave another strong performance, with the shares ending 4% higher at 255%p on heavy turnover of 12m: The stock responded to the good news on the dividend

time dividend of 4.25p and a special interim of 6p.
Smith New Court lifted its 1992 dividend forecast from 15p to 15%p and labelled the stock "one of the cheapest in the market". Streets (Terabell) market". Strauss Turnbull, describing the shares as "very, very attractive", highlighted the "low gearing, immense finance strength and a well-focused financial strategy"

Insurer down

Sun Alliance came under substantial selling pressure late in the session as Charter-house Tilney, the stockbroker, increased its forecast of mortgage indemnity losses for the period 1991-1993 to £550m. The broker now expects Sun

to record a loss of £340m for next year, against a previous figure of £220m. Charterhouse now sees no scope for an increase in Sun's dividend for the period. Charterhouse said it had

studied Royal Insurance's results, issued last week, and adjusted its Sun Alliance numbers to take account of the company's high bias to the south of England, where claims related to house reposessions were higher than elsewhere in the UK.

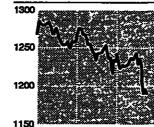
Sun Alkiance shares dipped to 2020 — the lowest level for

sun Alnance snares cupped to 297p – the lowest level for over five years – before rallying to close a net 10 off at 303p. Other composites were also badly mauled, with Commercial Union 9 off at 459p, General Accident 16 weaker at 429p and Royal 6 cheaper at 285p. Guardian Royal was heavily traded (7.2m shares changed hands) and closed 3 easier at 136p.

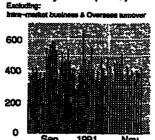
Shares of drug companies trading in the US weakened on meeting some profit-taking. Glaxo headed the retreat after overnight selling in New York, falling a further 25 to 770p. SmithKline Beecham "A" shares lost 10 to 808p and Well-come weakened 19 to 860p.

Increased interim profits from Rothmans International and a raised dividend were countered by a warning from the tobacco and luxury goods

FT-A All-Share Index



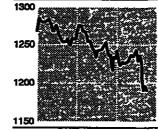
Equity Shares Traded Turnover by volume (million)

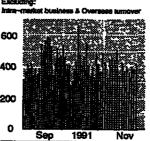


group that growth in the secsaw good two-way business, dipping in the morning before picking up to end a penny bet-ter on balance at 1080p.

trading on worries over possi-ble further profits forecast downgrades, analysts said. Mr John Aldersley, Smith New Court's specialist saleslook at what might be neces-sary," he added. "The next few weeks' trading are crucial for Fisons, and in the worst case

Forecasts range between £235m and £240m. The nervousness eased in the afternoon and the shares closed 4 off at 400p after being 13 down.





A more positive stance on BP shares by Hoare Govett

helped the stock rally from an earlier 310p to close only a fraction down at 312%p. Turnover was a good 10m shares. Hoare said the shares offered a safe and progressive dividend yield of more than 7 per cent. Fisons fell sharply in early

we may cut."

man, said he was considering reducing his profits prediction for 1991 to \$220m from \$235m. "We are having a very close

NEW HIGHS AND LOWS FOR 1991

	ADD INCHO GOL
	BANKS (1) ANZ, BREWERS (1) Moriend,
	CHERCALS (2) Heleteed (J), Plyer, STORE
	(4) Amber Day, Stacks Lela., Hoog Robinson
	Shani, ELECTRICALS (4) Dale, Kewill
	Systems, Pelon, Servomex, ENGELECRING
	(1) Chemring, HOTELS (1) Recort,
	MOUSTRIALS (4) Elan, Le Creusel, ML
	Labe., Serco, LEISURE (2) Airtours, LYT
	Cnv. Pkl., MOTORS (2) Evens Heishew,
	Kwik-Fit, NEWSPAPERS (2) Johnston Press,
	Mirror, PAPERS (1) Shandwick, PROPERTY
	(1) Mountview Ests., TRANSPORT (1) BAA.
	YRUSTS (1) Abbrust PkL Inc.
•	NEW LOWS (48).
	BRITISH FLREDS (2) Ex. 13 Jz pc 1992.
	Tr.12 tgpc 1982, AMERICANS (2) 894.
	Pennzoli, CANADIANS (1) Imperial Oil,
	BUILDINGS (II) Freeman, Graham Wood.
	DOSTUBRIO (S) LACORISM! CASTERN MANY

Hewistron, Howard, Laing (J), SWP, CHEMICALS (2) Astra, Noveled, STORES (1) French Connection, ELSCTRECALS (1) Seme, ENGREERING (2) Acrospace Eng., Simon, POODS (4) Ashley, Global, Tseco, Usborne, BRUISTRIALS (7) Alex. Worknet Brit. Acrospace, Dean & Sower, Parris, Pitington, T. & N. Tristigar House A, BISUIRANCE (3) GRE, General Accident, Sun Atlance, LEBSIFE (2) Kurtick, Midden Radio, MOTORS (1) European Motor, PAPERS (1) Ferry Pickaring, PROPERTY Amence, LESSITE 12 Rutics, Indicado, Mottora, O., MOTORS (1) European Motor, ERS (1) Ferry Pickering, PROPERTY husles House, Hearthro Countywide, Jon Sec. Spc Pri., TEXTELS (1) Jeromi MEPORT (2) Eurobunnol Wrmis, Lop., STB (3) French Prop., Stb. America TR Prop., O'U.S. (3) Clyde Pet., Firstlent Middland & Scottish Res., IMMES (1) London International Group (LIG) slipped after the surgical glove and condom maker reported half year profits at the bottom end of expectations. However, the shares picked up later to finish a net 3 better at

The volume Crosses Day Pitts through Day Pitts Day

Hawker Siddeley eased to 719p as talk circulated that the bid from BTR. down 4 at 377p, would be a close-run contest. The bid closes today. BTR said it spoke for 32.7 per cent of Hawker's shares. Turnover in the latter totalled 5.1m.

MARKET REPORTERS: Peter John, Jael Kibazo, Steve Thompson.

■ Other market statistics, includ-ing the FT-Actuaries Share Indices and London Traded Options.

| Volume Closing | Dight | Volume Closing | Dight | Volume Closing | Dight | Price clumble | Dight | D Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4 30pm. Trades of one million omore are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

VOLUME on LTOM rose to its highest level for more than a month although the mood, as Traded 9,352 lots. A cross was highest level for more than a month although the mood, as in the rest of the market, was gloomy, writes Joel Kibazo. Turnover of more than 45,000 contracts was boosted by two crosses, said to have

reflected tax-related trades in stocks traded in the US as American Depositary Receipts.
The biggest trade of the day
was in British Steel in which

8,000 contracts of the January

traded 9,352 lots. A cross was also reported in Glaxo, which traded 1,440 contracts.

Asda was the second most active stock option as stories circulated that the company intended to restate its previous year's figures. It traded 4,200 lots.

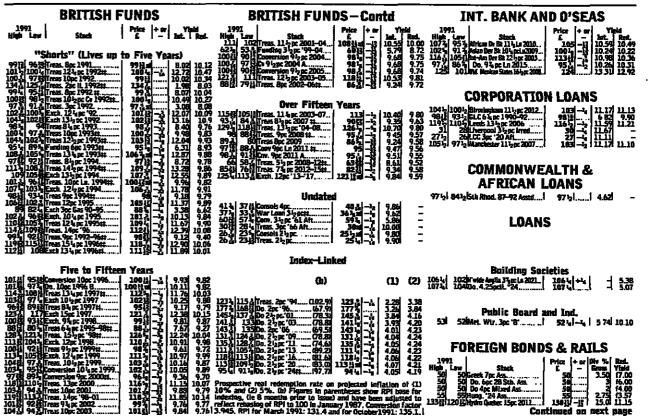
This was followed by

This was followed by Thames Water, where 2,410 contracts changed hands. It

benefited from switching into yield stocks in the cash mar-ket. Amstrad, British Gas and BTR were also busy. In Footsie futures, a firm opening gave way to a listless session with sentiment con-

tinuing to be affected by further weakness in sterling. December closed at 2482 and at a modest discount to its estimated fair value premium of about 21. Turnover reached

LONDON SHARE SERVICE



APPOINTMENTS

A bite at global breakfasts

KELLOGG, the world's leading breakfast cereal manufacturer, has appointed Alan Harris to the newly created position of chairman's assistant for global marketing.

Harris, 37, is an Englishman who has been Kellogg's mar-keting man in the UK. He will move to the corporate head-quarters at Battle Creek, Michigan, when Arny Langbo takes over as chairman and ceo at the beginning of 1992. Langbo had previously been in charge of the international side of the business — which now

■ HIGH-POINT has appointed

be its chief executive from

January. He was chairman

of Thurgar Bardex until its

acquisition by Heywood Williams in August. Robert

Wharton, currently deputy

will continue as deputy

one of its non-executive directors, has been appointed

E LADBROKE group

are two other deputy

Jerry O'Mahony, both

Mike Hawker, md of Freemans, is appointed a director of SEARS.

■ Following PUBLICIS'

chairman and chief executive,

announces that John Jackson,

non-executive deputy chairman in succession to the

late Sir Kenneth Cork. There

chairmen: Peter George and

Peter Johnson, a non-executive director from last month, to

accounts for more than half of group sales.
In his current job Harris has

been responsible for one of Kellogg's most important mar-kets - the British put away 13lb of ready-to-eat cereal per head per year, 3lb more than the Americans, and the Irish munch their way through an additional 3lb each. As Kellogg puts it, "a tremendous breakfast-eating habit for a

country".

But the cereal giant is facing intense competition, both in the US and in Europe, from

moves General Mills, its big American rival, as well as from assorted private-label brands, which has

prompted it to step up its already yast marketing spend. Harris will also find plenty Harris will also find plenty to occupy him in other parts of the globe. Kellogg hopes to be manufacturing in Latvia by 1993, and is also planning an assault on the Indian market. With Langbo also eyeing China's potential, one of the things Harris will be deciding is whether such a thing as a global marketing strategy is possible or indeed desirable.

akeover of Geers Gross, Michael Conroy and Chris Whitworth have joined the Geers Gross board. ■ James Hogan (above left) is appointed sales director of HERTZ EUROPE, responsible for the company's corporate, travel industry and field sales activities in the UK and the rest of Europe. He is returning to London from Hertz Australia, where he was operations director.

Colin McLean (above right), md of Hertz Leasing for the .

past four years, has been

appointed md of HIGHWAY VEHICLE LEASING, This move follows the death of Highway's co-founder, Peter Knox, last month.

Digby Hardy has resigned from the board of GRESHAM TELECOMPUTING. ■ Brian Boswell has been appointed group finance director of WHEWAY.

■ PORTSMOUTH AND SUNDERLAND NEWSPAPERS has appointed Stuart Bell, md of the company's northern subsidiaries, a director. ■ BAA has appointed Barry Gibson, recently commercial director at Heathrow, to the new post of group retailing Tony Bushell is appointed a director of DUN & BRADSTREET.

■ DIXONS announces that

finance director of Supasnaps.

Julie Nedza is appointed

to J ROTHSCHILD ASSUR-ANCE HOLDINGS, is joining the company as a director. He was instrumental in setting up Skandia Life, became its md in 1981 and resigned earlier this ■ Nigel Fenner-Fownes and

John McNamara have been appointed directors of BAIN CLARKSON, part of the Inchcape group.

MARINE & GEN-ERAL INSURANCE announces the appointment of its general

director ■ BRITANNIA LIFE announces that David White has joined as assistant general manager (marketing) from Clydesdale Bank, and Ian Hillan, a direc-tor of Information Technology and Marketing at Freemans, has joined as general manager,

business development.

manager, John McGarry, as a









<u>FullerMoney</u> The International Investment Letter 7 Swallow Street, London WIR 7HD, UK Rhst 5:00 or Ussato or Tel: 071-439 4961 Fax: 071-439 4966 (presult or credit care)

CHARITIES

The FT proposes to publish this survey on December 19th 1991.

It will be of considerable interest to senior management, solicitors and wealthy individuals who read the FT. In addition to appearing in the paper this survey will be sent to the Chief Executives of the UK's Top 500 companies. If you want to reach this important

audience, call Jessica Perry on 071 873 4611 or fax 071 873 3062

Data source: BMRC 1990

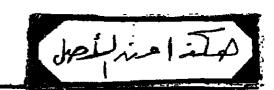
FT SURVEYS

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AMERICANS BUILDING, TIMBER, ROADS	LONDON SHARE SERVICE	Latest Share Prices are available on FT Cityline. Calls charged at School of the Grand 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128 INDUSTRIALS (Miscel.) — Contd INDUSTRIALS (Miscel.) — Contd.
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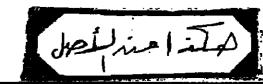
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CURRENCIES, MONEY AND CAPITAL MARKETS

LIFFE LONG GELT FUTURES OPTIONS

FINANCIAL FUTURES AND OPTIONS

LIFFE US TREASURY NOND FUTURES 6PT SISP,900 64ths of 180%

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FOREIGN EXCHANGES

D-Mark shows its strength

THE D-Mark continued to flex its muscles, despite the news from the Bundesbank that it would not raise rates. Most traders had been pre-

pared for the news out of Germany, although they were already looking ahead to the next Bundesbank council meetnext Sundsgrank council next-ing in two weeks' time. "We might have expected to see a setback in the D-Mark, but we didn't," sald Dr Mark Austin, treasury economist at Hong-kong Bank. "It just trundled

along.
The German currency grew stronger against European currencies, most notably the

The dollar also lost ground to the D-Mark, shaken by unexpectedly bad news on the US weekly jobless claims figures. The US currency came under

strong selling pressure follow-ing the announcement, dropping to DM1.5930. However, it recovered slightly to close in London at DM1.5955, compared with an opening price of

Traders are still bearish on the US currency amid signs that the economy remains singgish.

The weakening peseta dragged the floor for sterling in

the EMS to DM2.8390 - its low-est level since Britain joined a

190-21		_	l	Clase			
£ Spot	2.49- 8.92-	0.89am 2.46pm 8.82pm	2	985-1,7798 87-0,86pm 49-2,46pm 70-8,62pm the US dull			
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& Beach rate refers to central bank discount rates.
These are not quoted by the UK, Spain and Ireland

* All SOR rates are for Nov 20 OTHER CURRENCIES							
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Talwas	6.55 - 46.60	25.90 - 26.00 3.6715 - 3.6735					

England was likely to feel more relaxed, and less likely to intervene to support sterling with the floor so low.

with the floor so low.

However, Mr Michael Feeny, senior dealer and market analyst at Sumitomo Bank, said the falling floor was cause for some concern. "It could draw sellers into the market because the scope is there for it to fall further," he said.

There were buyers in the

further," he said.

There were buyers in the market for sterling yesterday, however, among them Barclays Bank. "The pound had a bit of a dead cat bounce," said one dealer, who said profit-taking on long D-Mark positions had pushed sterling to a high of DM2.8810. However, sterling fell back to close at its lows of DM2.8675 in London.

DM2.8675 in London.

Responsibility for the weak peseta was laid at the door of the Bank of Spain, which was rumoured to have sold the Spanish currency for D-Marks

Bank was not prepared to its currency freefall, des said, and had supported peseta at 63.60 per D-Mar

the afternoon.
Some economists specu that the Bank of Spain's e to weaken the peseta well have been at the beh the Bank of England method of backdoor su for the pound. The per lead in the EMS narrowed terday, allowing sterling

relief on the grid.
"Until a week ago, the pe had proved resistant to D-h strength," said Dr Austin. 'now it is leading the down, with the pound not belief."

The D-Mark enjoyed a s strengthening against French franc during the However, intervention the Bank of France left franc a touch stronger at 3. per D-Mark.

EMS EUROPEAN CURRENCY UNIT RATES							
	Ecu Central Mates	Currency Americals Against Eco New 21	% Charge trom Costral Race	% Spread ts Weakest Currency	Divergence ladicator		
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POUND SPOT - FORWARD AGAINST THE POUND							
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from t the	Previous day's open let. 49405 (50359)	Še
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•	Gose High Low Pres. Dec 85.15 85.27 85.11 86.18 Mar 86.62 85.70 86.58 86.65) 15 55 01
3 B 7	Estimated volume 41821 (24808) Previous day's open (at. 86921 (91838)	Di
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105 -212 277	Estimated volume 5991 (3495) Previous day's open tal. 17435 (18632)	
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	Previous day's open Mr. 165533 (165301) THREE MONTH EUROBOLLAR *	De Ma
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	Previous day's open Int. 25621 (25028) FT-SE 188 (MINEX *	_
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* Contracts traded on APT Closing prices shown

1-mth. 3-mth. 6-mth. 12-mth. 17886 17731 17498 17090

POUND - DOLLAR FT FERENCE EXCHANGE MATES

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Equatorial Bank plc
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CORTEXA INTERNATIONAL

Avis aux participants En conformité avec les dispositions de la loi et du règlement de gestion du Fonds Commun de Placement "CORTEXA INTERNATIONAL", les actionnaires de Cortea Gestion S.A. et la Banque Dépositaire out décid de commun accord d'apporter lous les actifs de Fonds Commun de Placement "CORTEXA INTERNATIONAL" au compartiment "PARVEST USA" et le procéder à la liquidation du Fonds. Cet apport sera réalisé au 31 décembre 1991.

"PARVEST" est une société anonyme constituée le 27 mars 1990 sous la forme d'une Sicav à compartiments multiples de droit luxembourgeois dont le siège social est situé à Luxembourg, 10A, Boulevard Royal.

stute a Luxembourg, 10A, Bordevard Royal,

La Sicav "PARVEST", "Fonds Coordonne" au seus de la Directive Européenne du
O décembre 1985, est consposée de compartiments de catégories "Actions",
"Obligations" et "Court Terme", laquelle est l'institument international de gestion en
valeurs mobilières du groupe Paribas destiné à la clientèle privée et institutionnelle.

Les actionnaires de la Sicav "PARVEST" ont la faculté de convertir leurs actions
d'un compartiment à l'asure à des conditions de faveur et des modalités d'exécusion
qui ne sont rendues possibles que dans le cas d'une Sicav à compartiment multiples.
Toutefois, vis-à-vis des tiers, notamment des créanchers sociatus, la Sicav à
compartiments multiples constitue une seule et même entiré juridique, et tous les
engagements engagement la Sicav toute entière, quelle que soit fa masse d'avoirs nets
à l'aquelle ces dettes sont attribuées, à moins qu'il n'en ait été autrement convens avec
les créanciers concernés.

Les actifs du compartiment "PARVEST USA" sont, comme l'ensemble des ausres compartiments, répartis en deux classes d'action: des actions "A" de distribution et des actions "B" de capitalisation, tel que ceta est défini au point 8 du prospectus d'enission.

L'ensemble des actifs du Fonds "CORTEXA INTERNATIONAL" sera apporté au compartinem "PARVEST USA" dont la politique d'investissement est similaire à celle de "CORTEXA INTERNATIONAL". En contrepartie de l'apport de ses avoirs, "PARVEST" attribuers à "CORTEXA INTERNATIONAL" un noubre d'actions de la catégorie "B" du compertiment "PARVEST USA" dont la valeur sera équivalente aux avoirs apponés. Lors de la dissolution, il sera proposé que les actions de "PARVEST USA" alost étailses soient attribuées aux portours de parts "CORTEXA INTERNATIONAL" proportionnellement au nombre de parts qu'ils détiennent. Les rompus seront réglés en especes.

en especes.

Tout propriétaire d'actions "B" du compartiment "PARVEST USA" zinsi attribuées puarra, à tout moment, obtents, l'échange de ses actions "B" contre den actions "A" de "PARVEST USA". Cet échange s'ellicensers à raison d'une action "A" de "PARVEST USA" puar une action "B" de "PARVEST USA" jusqu'au détachement du coupon n' 1 des actions "A". A près cente date, l'échange s'ellicensers sur base de la partié qui sera établie à ce moment et qui restera d'application jusqu'au détachement du coupon suivant.

De ce qui précède, il est possible de conclure que l'apport des setifs de "CORTEXA INTERNATIONAL" à "PARVEST", Siera à compartments qualitales, constitue une réelte opportunité pour le Fonds et ses participants. INTERNA I LOVAL BENEVALA DE L'ANDRE L'

Le prospectus de la Sicav "PARVEST" en date d'octobre 1991, peut être obteup aux simple demande, au siège social de la Société, 10A, Boulevard Royal, Luxembourg. Par ordre du Conseil d'Administration, J. Pierson Secrétaire Général

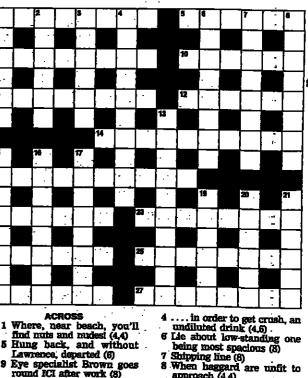
MONEY MARKET FUNDS

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CROSSWORD

No.7,705 Set by GRIFFIN



ACROSS

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ACROSS

1 Where, near beach, you'll find nots and nudes! (4,4)

5 Hung back, and without Lawrence, departed (6)

9 Eye specialist Brown goes round ICI after work (8)

10 As a horsewoman she was handle sample (6)

barely famous (6)
11 Use ruler to delete "outside"

11 Use ruler to delete "outside"
(8)
12 Offend retiring nurse behind army lut (5)
14 Musical teaching method fool can sit out of (5.3-2)
18 Way it moves slowly round, laughing uncontrollably...(2.8)
22 ... could be threat for shopkeeper (6)
28 Suggested plan uses one riot gas to hold IRA back (8)
24 A foreign ringleader, French, is causing discontent (6)

tent (5) Made tiny adjustment to mine (8) 25

mine (8)
26 In agreement take half of vessel (6)
27 It stops the girl turning a key in it (3,5)
DOWN

1 Floor of leading shop having toy soldiers in (6)
2 Colour of unright stone harrel (6)
3 Prepare by bolling for two 3 Prepare by bolling for two months....(6)

Solution to Puzzle No.7.704

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approach (44)

13 Scottish water engineers running dry. Clive intervenee (55)

venes (5,5)
15 Severe punishment taken by

severe punsament casen by athletes? (4,4)

16 Mysterious oriental man embraces drunkard (8)

17 Left Nice after arranging to visit man with pennif (8)

18 Lead to men dropping many a doc-end (6)

a dog-end (6)

20 Difficult essay in Greek, ini-

Solution to Puzzle No.7,704

tially (6) 21 Import value (6) *Official rate. Floating rate 5-2520.0 \$-1400.0 **MONEY MARKETS**

Overnight rates rise

UK MONEY market rates tightened yesterday, as the Bank of England took its time to stem the £1.45bn shortage it

had forecast.

Overnight rates were squeezed as high as 13 per cent at one stage, although they fell back to 10%-% per cent by late afternoon. The offer price for most money up to one-year stood at the 10% per cent level.

The key three-month interbank rate — which is often taken as a guide to expectations on UK bank base rates — was slightly higher at 10% per

was slightly higher at 10 per "It is looking as if people expect the next move in rates to be up," said one senior

UK elearing bank hase lending rate 10.5 per cent from September 4, 1991

dealer. "At the very least, 10.5 per cent is here to stay for a very long time."

December short sterling fell to 89.37, confirming the pessimism over a rates cut before next year. Economists said the short sterling contract was likely to settle around the mid-to-low 40 level in the near

In early trading, the Bank of England injected £545m in the market through a bills purchase at a rate of 10th per cent. During the course of the

day, the central bank bought band one bank bills worth £6m, band one treasury hills worth £1m, and a further £584m in band one bank bills, all at 10% per cent. Late assistance of £155m left a total shortfall of £145m in the market.

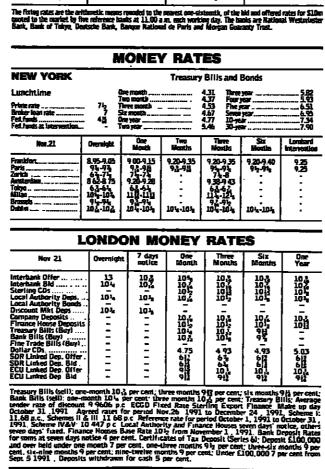
In Germany, call money rates were easier, with the expected drain on liquidity from November tax payments noticeable only by its absence. Call rates fell from Tuesday's 9.00/9.05 to 8.95/9.05 per cent, with most of the trade focused on 9 per cent.

Dealers were expecting the overnight rate to remain well below the Bundesbank's 9.25 per cent Lombard, and had already discounted a possible rise at the Bundesbank council meeting when trading began.

Liquidity levels were more than sufficient to keep call rates easy, they said, following two securities repurchase tenders worth DM3.5bn earlier this week.

In the US, the Federal Reserve refrained from any operations yesterday. The Federal Funds rate was about 4% per cent in New York midsession trading, below the perceived target of 4% per

Dealers were speculating that the Fed had bought notes from customer accounts on Monday, which would have negated the need for action yesterday.



FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.21) 3 months US stellars

JOTTE

ROSSWORD

WORLD STOCK MARKETS

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1- * -}	7011411 0 10 440	Nagasakiya 1,620 –30 S Nagasa 1,010 –30 S Nagaya Railroad 743 –7 S National House 1,530 +10 S	Core Read Milit 900 100	S'pert Air Free 20,90m +0.20 Singspore Press 8.85 -0.10 Sizal's Frading 2.67 -0.09 Tat Lee Bank 3.22 UOB 6.20 Price data expelied by Telekura. NOTES - Prices on this page are as quoted on the individual exchanges and are last traded prices, but unavailable, 8 Deptings suspensed, and Ex dividend. 20 Ex certp issue, 27 Ex dividend. 20 Ex certp issue, 27 Ex right, 28 Ex all. 4 Italian prices engustiable Nov. 21.	FT SURVEYS

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Georg-von-Boeselager-Str. 25 D-5300 Bonn 1 Telefax: (228) 552-2122

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SWITZERLAND: EUROPEAN FINANCE AND INVESTMENT

The FT proposes to publish this survey on December 17th 1991, 54% of Chief Executives of Europe's largest companies read the FT.* If you want to reach this important audience by advertising in this survey, call Nigel Bicknell or Simone Egli in Geneva Tel: 022 7311604, Fax: 022 7319481. Or Patricia Surridge in London Tel: 071 873 3426, Fax: 071 873 3079.

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The FT proposes to publish this survey on December 16 1991. This survey will be distributed to 160 countries including Bagladesh. In Europe 92% of the professional investment community regularly read the FT. If you want to reach this important audience, call Louise Hunter on 071 873 3238 or fax 071 873 3079 Data source: Professional Investment Community 1991(MPG ht1)

FT SURVEYS

Dow falls on big rise in November jobless data

Wall Street

A much bigger than expected rise in early November jobless claims unnerved investors yesterday, leaving share prices lower by midsession, writes Patrick Harverson in New York. By 1 pm the Dow Jones Industrial Average was down 8.72 at 2,921.29. The more broadly based Standard & Poor's 500 was also slightly sier, down 0.71 at 377.82 at 1 pm, while the Nasdaq composite of over-the-counter stocks outperformed all the other indices, rising 1.70 to 527.82. Turnover on the NYSE was heavy, with 113m shares changing bands by 1 pm. Declines outpaced rises by 821

The 39,000 increase in the latest initial unemployment insurance claims was an unwelcome reminder of the depressed state of the job market, and the fragility of the eco-nomic recovery. The rise was well above forecasts. The stock market initially

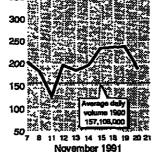
held its ground, primarily because the jobs data boosted hopes that continued weakness in the economy might prompt further monetary easing from the Federal Reserve or a fiscal growth package from the White House and Congress. After three hours of dithering, however, prices turned lower in early afternoon trading as

sellers gained the upper hand, with a sudden jump in long-term bond yields deepen-

ing the market's gloom.

The most actively traded stock was Global Yield, which dropped \$\% to \$7\% in turnover of 1.3m shares after the close end fund said it would have to pass its dividend in the fourth

NYSE volume Daily (million)



quarter because of currency losses and tax requirements. Coca-Cola climbed \$1% to \$68% in active trading on reports that the company had told analysts that their estimates of 20 per cent earnings growth next year were too low. Pepsico rose \$% to \$29% in sympathy.

Footwear stocks were in demand, with Nike climbing \$1% to \$58%. Reebok adding

\$% at \$37% and LA Gear firming \$% to \$11. There were no clear reasons for the gains, although investors might have been buying the stocks in anticipation of good Christmas sales of sports footwear.

On the over-the-counter market, Dell Computer rose \$% to \$22% on news of third quarter net income of 52 cents a share, above year-ago earnings of 34 cents a share and higher than market forecasts.

Electronic Arts rose \$2% to \$33% after an analyst at Donaldson, Lufkin & Jenrette raised his third quarter earnings estimate for the company, which develops and markets entertainment software.

Canada

TORONTO stocks were unchanged at midday, trading within a narrow range after four nervous sessions. The TSE 300 composite index dropped 4.3 to 3,497.4. Declining issues led advances by 232 to 214 on volume of 15.2m shares valued at C\$153m.

Golds dominated the most active list as bullion prices surged ahead, strengthened by plans to use gold as a collateral for G-7 loans. Among gold shares, Lac Minerals rose C\$% to C\$10%, American Barrick firmed C\$% to C\$28%, Placer Dome gained C\$% to C\$13% and Echo Bay Mines jumped

German decision to keep rates steady helps bourses

THE BUNDESBANK'S decision to leave interest rates unchanged probably helped Paris and Amsterdam more than its home market, writes

Our Markets Staff. FRANKFURT closed mixed since the interest rate decision was generally expected.

Banks picked up in the postbourse but the stimulus was the G-7 news that loans to the USSR are to be frozen for a year. Postponing the problem of loan losses, this lifted Deutsche Bank to DM662 after an official close of DM657.50, up DM2.80, despite the view that it is suitably provisioned in this

The DAX index closed 0.95 lower at 1,598.10, effectively and pre-holiday weakness on Tuesday afternoon. The FAZ index, calculated at midsesfell from DM4.5bn to DM3.8bn.

PARIS concentrated on spe-cial situations. The CAC 40 index closed at 1,766.02, up 2.53, in turnover of FFr2bn after

Trading in the paper prod-ucts group Arjomari-Prioux was suspended at the opening before the announcement that the food group Saint Louis planned to buy in the rest of Arjomari's share capital. While the deal was expected to enhance Saint Louis's earnings per share, some analysts felt that it was fully valued at yesterday's close of FFr1,276, up

Source Perrier rose FFr38 or 3.2 per cent to FFr1,229 in decept volume of 18,025 shares. Goldman Sachs published a favourable report on the min-eral water group this week. Printemps, the retailer, fell FFr39 to FFr859 with 22,650 shares traded on reports that Maus Frères of Switzerland only wants to sell part of its 42.2 per cent stake.

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Day's High 1074.75

kers, including a leading name, were in financial difficulty. The Comit index fell 3.35 to 509.18 in turnover estimated at

The overall drop masked larger falls in individual shares. Eridania dropped L499 or 6.7 per cent to L6,950 as an influential broker advised investors that they might not erge favoural restructuring announced last week. There were also fears that Eridania shareholders might be offered shares in Fer-Fin, and not Beghin-Say as originally thought.

Ras was one of gainers, adding L160 to L17,750. The stock has been recommended by Kleinwort Benson in the belief that the insurer is at the beginning of a cyclical upturn

in earnings.

AMSTERDAM saw buying in the insurer Aegon ahead of its third quarter results today. The CBS Tendency index rose 0.4 to 90.7.

Aegon added F1 3.60 to F1 121.20. The market is expecting a profit rise of between 6 and 8 per cent. Amey closed Fl 2.60 higher at Fl 51.20. ZURICH saw a SFr160 fall to SFr3,450 in Brown Boveri bear-

ers, which topped the active list as the Credit Suisse index fell 3.0 to 476.0. Wednesday's nine-month figures from Asea Brown Boveri

were in line with expectations

Copyright. The Financial Times Limited, Goldman, Sachs & Co. and County NatiVest Securities Limited, 1997 Latest prices were unavailable for this edition. German market closed November 20.

but dealers said that they also underlined the excessive opti-mism of some 1992 EPS esti-

Day's Low 1070.55

FT-SE Eurotrack 100 - Nov 21

Hourly changes

Open 10 pm 11 am Noon 1 pm 2 pm 3 pm Close 1072.01 1071.63 1072.71 1073.85 1074.15 1073.65 1071.44 1071.97

MADRID's general index closed 1.09 lower at 245.89. Tabacalera was one of few winners, rising Pta130 to Pta5,610. Brokers attributed this to foreign interest following presen-tations in London and Paris. STOCKHOLM saw interest in blue chips as Merrill Lynch

outlined the recovery potential in Swedish corporate earnings. However, while Volvo B recovered SKr6 to SKr341, Ericsson B failed to sustain early gains and closed SKr3 lower at SKr108, as the Affars-världen General index rose 2.2 to 953.5

OSLO featured a slight recovery in Den norske Bank, NKr1.3 higher at NKr6.8 as the all-share index rose 2.14 to 416.30. **HELSINKI** fielded another

hanking scare as Kansallis-O-sake-Pankki's free shares fell FM1.3 to FM18.5 with 57,000 The banking and finance

Index fell 2.6 per cent as the Hex general index posted its third consecutive fall of 8.6, or 1 per cent to 837.7. A senior KOP official denied market rumours that the bank had es as a result of last week's devaluation of the markka.

ISTANBUL paused for breath after its week-long rally. The 75-share index ended at 3,446.64, up 1.37.

Karachi ignores the global equity declines

Pakistan's leading share market hit record highs this week, writes Farhan Bokhari

PAKISTAN's leading that its policies of privatisation stock market, the Kara- and deregulation of sovernchi Stock Exchange, kept up its bullish surge this week, reaching record highs in spite of a bearish trend on international markets.

The continued rise has also surprised market watchers for domestic reasons. The political focus in Pakistan has been on government attempts to improve the law and order sit-uation in Karachi, and other parts of the Southern province of Sindh; in the past, this has deterred investors.

However, the KSE index set a record high of 2,842 on Tues-day. This followed a 198-point advance on Monday, the largest single-day rise this year, on news that a French bank was setting up a Pakistan Growth Fund The index fell 73 to 2,769 on Wednesday but this was understandable, as investors were squaring their positions before the market closed for its

weekly two-day break. The rally on the KSE is being used as a symbol by the government, to demonstrate

ment controls have received a good response from investors. This month, the market's

equity capitalisation reached R104bn (£2.4bn), up from R53.56bn a year ago when the KSE index was at 1.587. In response to questions about the positive trend on Karachi stocks, finance minister Mr Sartaj Aziz Said: "Improved prospects for business since last year have improved the investment climate.

During the past year the gov-ernment of Prime Minister Mr Nawaz Sharif has been trying to privatise state-owned factories, while also removing regu-latory controls on existing and new investments. Mr Aziz says that the KSE rise has also resulted from the opening up of the stock market to foreign investors.

Citicorp floated a closed-end Pakistan fund of \$22.6m in April this year. The fund, listed on the Hong Kong Stock Exchange, is designed to foreign investment

declined on arbitrage unwind-

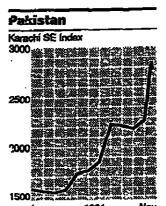
ing, it remains at a high

level. During the week ended November 15, Nomura was the

most active arbitrageur, trad-

Pakistan Karachi SE Index

1991



in emerging companies on the KSE. Then, only this week, it was announced that Crédit Lyonnais is launching a \$25.75m open-end growth fund; this fund will also be listed on the Hong Kong Stock Exchange.

Nov

Some brokers believe that the stock market's rise has been helped by a drop in prop-

to be shut down this summer. when depositors tried to withdraw their money. The run on the companies began when some politicians claimed that the companies had virtually no liquid assets left since most of their assets were in real estate. Now, the government is trying to arrange the repayment of the depositors.

The drop in property prices has been caused by fears that the finance companies will have to sell their assets in the near future to raise money. Meanwhile, the government has reduced interest rates on another investment medium. another investment means bearer certificates, and a new tax has further lowered these. As a result, investors are finding it more profitable to invest in stocks

Most businessmen and brokers, for now at least, expect the market to remain buoyant. Mr Amin Tai, a leading broker and former president of the KSR, says that public interest in the stock exchange has been growing, and that a new class of investors has emerged. The

foreign investors has also helped to increase confidence. As for the effects of the has and order problems on the market's performance, many officials, including Mr Aziz, say that the KSE listings include companies located across the country, many hundreds of miles away. While they agree that a growing number of crimes in rural Sindh have deterred investors, they argue that the market has remained buoyant due to optimistic prospects for the companies located elsewhere in Pakistan.

owever, some officials and brokers privately express concern that the KSE may not be able to sustain the fast upward rise. Says one leading broker. "The rise has been sudden. At some point it would need to be adjusted." But he adds that investors are unlikely to be deterred in the short term, and the market could continue to break new ground until the

Nikkei extends losing streak to seventh day

Tokyo

THE NIKKEI average extended its losing run to a seventh consecutive session yesterday, but closed only marginally lower after a volatile day, writes Emiko Terazono in Tokyo. Low volume exaggerated share price movements on snare price movements on index-related activity. The Nikkei finished 22.02 easier at 23,177.84, after having firmed in the morning on bargain hunting to register the day's high of 23,378.50; arbitrage-related selling took it to the day's large of 23,202.50; in the

day's low of 22,997.80 in the Volume contracted from 300m to 270m shares. Domestic investors remained inactive, although some foreigners indulged in small-lot buying. Declining shares outnumbered advances by 556 to 400, with 191 issues unchanged, although the Topix index of all first section stocks gained a slight 0.74 on the session at 1,763.53. In London the ISE/Nikkei 50 index softened just 0.30 to

Some investors found conso lation in the easing of overnight call rates and bond yields. However, the high level of put options worried traders, who believed that holders of the options would try to push the index down so that the could exercise the contracts. Rumours that a speculative investor had been arrested also

market participants.

Mr Nick Cant at Baring Securities added that some domestic investors were already becoming worried about next month's December futures contracts. High arbitrage positions are becoming the focus of concern as arbitrageurs with long cash positions against short futures positions may not roll over

The Tokyo Stock Exchange announced that holdings against December futures totalled Y1,500bn as of November 15. While the amount has

SOUTH AFRICA

FURTHER strength in golds led Johannesburg higher on the day, the overall index rising 15 to 3,462. While industrials were only 4 higher at 4,176, the all-gold index closed 22 higher at 1,162 with Vaal Reefs R3 higher at R203.

ing 24.5 per cent of the turnover. High-technology stocks were sold on concern about the weakening economy in the US. Matsushita fell Y30 to a year's low of Y1,400 and Sony Y130 to Y4,580. Sony projected a 19 per cent year-on-year decline in consolidated pre-tax profits for the year to March 1992.

Hitachi was actively sold and lost Y10 to Y905, while Fujitsu, which projected a 29 per cent fall in its pre-tax profits for the current year, retreated Y15 to Y843.

Okamoto, the prophylactics manufacturer, surged Y160 to a peak for the year of Y1,170. Companies in this sector have been strong recently on growing calls for Aids prevention, although Japan Synthetic Rubber receded Y14 to Y686 on

profit-taking.
In Osaka, the OSE average shed 32.14 to 25,164.71 in volume of 33.3m shares. Small-lot selling dragged issues down, with construction, textile and machinery issues weaker.

Roundup

A STEADY performance on Wall Street overnight lifted the Pacific Rim yesterday, though several came off the day's highs. Bombay was closed for a holiday, and reopens today.

NEW ZEALAND made a

broad recovery as nerves over the recent volatility on Wall Street eased. Telecom and Fletcher Challenge rose strongly. The NZSE-40 index closed just off its intraday high, ending 27.04 or 1.8 per cent to the good at 1,496.50. Turnover expanded to NZ\$30.5m from NZ\$25.6m.

Telecom recovered 5 cents to NZ\$2.48 on turnover of 840,000 shares after falling for the previous six sessions. It is due to release its fiscal first-half results today. Fletcher Challenge added 10 cents at NZ\$3.45 on turnover of 660,000 shares. AUSTRALIA recouped some of its recent losses. The All Ordinaries index ended 13.9 up at 1.646.6 but after a day's high of 1.653.3. Turnover was steady

The banking sector was firmer after the release of generally pleasing results. West-pac Banking rose 11 cents to A\$4.88 and National Australia Bank 15 cents to A\$8.00. ANZ jumped 34 cents in heavy turner to A\$4.52.

TAIWAN advanced in active trading but early gains were trimmed. The weighted index put on 18.18 to 4,496.89 in heavy turnover of T\$26bn (T\$17.46bn). Food shares posted the day's sharpest gains while financials provided the only decilining sector.
HONG KONG rebounded in

moderate trading. The Hang Seng index gained 33.63 at 4,234.57, recouping about half of Wednesday's loss. Turnover rose to HK\$1.65bn (HK\$1.55bn). Utilities enjoyed the session's biggest gains, followed y property counters. SEOUL succumbed, but only

just, to heavy selling pressure

pay heavy tax evasion penal-ties after all failed to lift the market yesterday. On Wednesday they had said they would not pay the Won135bn fine. KUALA LUMPUR and SING-APORE both encountered bar-

its after Wednesday's rise. The

composite index was down 3.45

at 664.68 in turnover of

News that the owners of the Hyundai Group had agreed to

Won187bn, after Won191.3bn.

arous both encountered our-gain hunting. The KLSE com-posite index moved up 1.87 to 537.59 in volume of M\$60.5m, against M\$76.5m. The Straits Times Industrial index added 6.91 at 1,450.06 in turnover of S\$105m. after S\$108m. MANILA was helped by Wall Street and a firm showing by the oil sector. The compos index put on 13.93 to 1,108.42 in

turnover of 56m pesos.

BANGKOK was pushed lower by political uncertainty. The SET index dipped 7.71 to 669.30 in turnover of Bt3,79bn. JAKARTA closed easier on local selling. The official index slipped 1.24 to 241.26.

IT WILL BE EASIER TO TAKE STOCK OF YOUR SHARES.

The FT's London Share Service pages will have a new look about them from Tuesday. Why? Quite simply to make them easier to use.

In response to reader's comments, to the changing ways in which businesses organise themselves and to the nature of the London stock market itself, the new design presents all the information you need in a more accessible and logical way.

For instance, stocks will be regrouped by FT Actuaries sectors making them easier to find and, importantly, easier to compare with rival companies.

It takes a little time to get used to change, but we're in no doubt that from our reader's point of view it's a change for the better.

To help you familiarise yourself with our improved London Share Service there will be a special four page pull-out guide to the new listings in Tuesday's FT. Make sure you get your own copy.

FINANCIAL TIMES

FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		WEDNESDAY NOVEMBER 20 1991						TUESDAY NOVEMBER 19 1991					DOLLAR INDEX			
Figures in parentheses US show number of lines Dollar of stock Index	Day's Change	Pound Sterling Indea	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yleid	US Doller Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)	
Australia (69)		-1.5	127.96	127.13	129.15	130.73	-1.3	4.63	157.35	129.86	129.10	131.10		160.31	112.74	125.41
Austria (20)		+ 0.2	143.84	142.91	145.17	145.04	+0.2	1.97	173.87	143.49	142.66	144.86		<u>222.</u> 37	153.86	
Belgium (47)		- 0.7	112.33	111.59	113.36	110.90	-0.7	5,34	137.05	113.10	112.44	114.18	111.70	151.20	118.04	139.0
Canada (115)	139,49	-1.0	115.15	114.40	116.21	114.74	-0.4	3.24	140,92	116.30	115.62	117.40	115.16	144.28	126.49	124.7
Denmark (37)	261.95	-0.4	216.24	214.85	218.24	221.69	-0.5	1.60	263.03	217.07	215.82	219,14		270.58	217.74	252.4
inland (15)	82.94	- 0.8	68.47	68.03	69.10	75.46	- 1.4	3.23	83.65	69.04	68.64	69.70	76.50	125.15	82.91	103.9
rance (109)		- 0.3	117.45	116.68	118.52	122.25	-0.2	3.63	142.67	117,74	117.05	118.86	122.48	152.26	119.11	139.8
3ermany (65)		+0.0	94.16	83.57	95.03	95.03	+0.0	2.43	114.07	94.13	93.60	95.03	95.03	125.35	94.15	118.7
long Kong (55)	173,74	- 1.4	143.42	142.49	144.75	172.94	-1.4	4.29	176.14	145.36	144.52	146.76		176.14	119.62	123.0
reland (18)	162,48	-02	134.12	133.26	135.36	137.29	40.0	3.65	162.78	134.34	133.56	135.62		182.46	132.68	163.3
taly (77)	71.92	-0.4	59.37	58.99	59.92	65.01	-0.4	3.57	72.24	59.62	59.27	80,18	<i>\$5.25</i>	88.23	64.76	79.4
lарвя (474)	133.99	-0.5	110.61	109.90	111.65	109.90	− 0.5	0.77	134.61	111.09	110.45	112.16	110.45	146.97	118.23	125.9
tálaysia (68)		+ 0,0	169.24	169.15	170.81	216.16	+0.1	2.87	204.96	169.15	168.16	170.76	215.94	247.78	189, 18	195.8
/lexico (37)	1302.06	- 3.8	1074.85	1067.91	1084.80	4357.66	- 3.8	1.18	1352.81	1116.43	1109.96	1127.08	4527.50	1404.63	534.45	
letherland (31)	146.54	+ 0, 1	120.97	120.18	122.09	120.75	+0.1	4.47	146.42	120.84	120.14	121.99	120.59	148.24	125.70	134.6
lew Zealand (14)	47.23	1,5	38.99	38.74	39.35	44.29	- 1.6	6.28	47.97	39.59	39.36	39,96	45.03	54.64	41.18	49.9
lorway (30)	176.19	+ 1.7	145.45	144.51	146.80	150.72	+ 2.1	1.71	173.29	143.01	142.19	144.38	147.65	223.24	173.29	210.4
Singapore (38)	206.61	+0.2	170.55	169.45	172 13	158.38	+0.1	2.20	206,22	170.18	169.20	171.80	158.27	213.93	151.63	155.6
South Africa (61)		- 0.2	217.39	215.98	219.39	173.64	-0.5	2.82	263.74	217.65	216.39	219.72	174.43	269.05	173.00	172.1
ipain (53)		+0.6	123.16	122,37	124.30	114.72	+0.8	4 80	148.36	122.44	121.73	123.60	113.85	171.12	131.51	148.2
weden (25)		-0.2	142.14	141.23	143,46	149.25	+0.0	2.99	172,51	142.37	141.55	143.73	149.27	204.12	146.60	161.5
witzerland (59)	97.17	-0.5	80.21	79.70	80.97	85.69	-0.3	2.36	97.63	80.57	80.11	81.35	85.94	100.67	B2.17	91.3
Inited Kingdom (240)	177.83	+0.3	146.80	145.84	148.14	146.80	+0.4	5.07	177.23	146.26	145.40	147.64	146.26	187.44	156.27	
JSA (526)		-0.1	127.15	126.34	128.34	154.03	-0.1	3.15	154.27	127,31	126.58	128.53	154.27	161.59	125.95	167.3
_ <u></u>																127.5
urope (826)	141.79	+ 0.1	117.05	116.29	118.13	118.33	+0.1	4.08	141.70	116.94	116.26	118.06	118.19	151.52	125.50	138.5
lordic (107)		-Q. <u>1</u>	147.36	146.41	148.73	147.44	+0.0	2.19	178.70	147.47	146.62	148.88	147.47	200.81	155.55	175.4
acific Basin (718)	135.42	-0.5	111.79	111.07	112.82	112.05	-0.6	1.12	136.14	112.35	111.70	113.42	112.67	145.92	117.86	125.5
uro - Pacific (1544)		-0.3	114.16	113.41	115.21	115.34	-0.3	2.33	138.69	114.46	113,78	115.54	115.68	147.66	121.29	131.1
lorth America (641)		-0.2	125.34	125.54	127.53	151.39	-0.2	3.15	153.35	126.58	125.84	127.79	151.83	180.44	125.91	127.2
urope Ex. UK (586)	120.19	-0.1	99.22	98.60	100.16	101.92	-0.1	3.34	120.37	99.34	98.78	100.31	101.99	129.80	103.58	120.6
acilic Ex. Japan (244)		-1.1	123.39	122.61	124.54	132.03	- 1.1	4, 19	151.19	124.77	124.07	125.98	133.47	153.19	111.40	119.8
Vorld Ex. US (1737)	140 38	-0.3	115.88	115.14	116.95	116.97	-0.3	2.36	140.85	116.24	115.58	117.35	117,34	148.16	122.32	131.6
Vorld Ex. UK (2023)	140.71	-03	116.15	115.41	117.24	126.73	-0.3	2.36	141.19	116.52	115.85	117.64	127.15	146.16	120.06	125.4
Vorid Ex. So. Af. (2202)	143.14	- Q.3	118.16	117.41	119.26	128.25	-0.3	2.64	143.52	118.45	117.77	119.59	128.57	148.66	122.92	128.9
lorid Ex. Japan (1789)	150.58	-02	124.30	123.51	125.47	138.94	- 0.1	3.52	150.85	124.49	123.78	125.69	139.14	155.59	126.89	132.1
he World Index (2263)	143.94	- 0.3	118.82	118.06	119.93	128.65	-0.3	2.64	144.33	110 11						
in trong maga (ECSS)	,-u.,-4	- 4.3	//0.02	. 10.00	110.00	120.00	-0.3	204	(44.00	119.11	118.42	120.25	128.96	148.37	123.28	129.1

eventh da

N the surface, the

UK water industry

seems to be going through a relatively smooth patch following the turbulence of privatisation two years ago and initial adjustment to the harsher environment of the private sector.

The 10 regional water and sewerage companies, and the 26 water-only companies, and the 26 water-only companies, appear to be coming to terms with the new regime and the £28bn capital spending programme is well on schedule. The sector has also been well the sector has also been well to be a schedule. received by the City of London as a significant part of the stock exchange scene.

But appearances can be deceptive and any impression of placidity would be misleading. A range of issues is causing concern within the indus-Foremost among these are relations with the industry's relations with the industry's regulators, particularly Mr Ian Byatt, director-general of Ofwat and Lord Crickhowell, chairman of the National Rivers Authority, and the poor public image the industry continues to have, which water chiefs believe to be a travesty of the truth.

The relationship between a privatised monopoly providing an essential service and its regulators was never going to be easy, and regulation seems set to dominate the industry's politics for the foreseeable future.

behalf, threatening and bluff-ing most of the companies into cutting back on their charges.

Through a series of letters and statements, Mr Byatt has

persuaded the companies to

reduce by a sixth or an aggre-

gate £40m the level of charges to be introduced next year.

that if cuts were not volun-

teered he might have to impose them himself, thus triggering a confrontation which the com-

panies were unlikely to win.

The companies were in an embarrassing position, as they

introduced increases averaging

introduced increases averaging 15 per cent this year then found plummeting inflation was pushing down their costs. They had little alternative

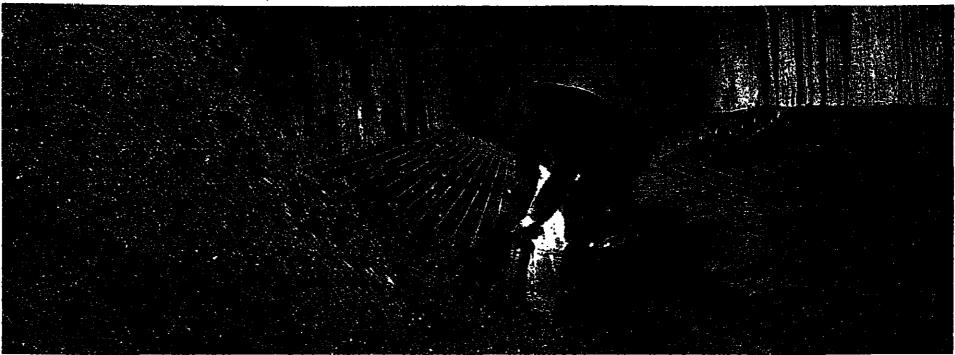
He did it by warning them

In the first year after flota-tion, most of the criticism within the industry was directed at Lord Crickhowell, a tough, politically astute former Conservative cabinet minister who was pushing hard for an accelerated environmental improvement programme in nised as necessary at the time of privatisation. The open-ended additional costs were regarded as unacceptable

y water chiefs.

Mr Byatt, a former senior Treasury adviser, took longer to make his presence felt, but in the past year he has drenched the industry with demands for information and warnings about excessive profits in his role as protector of the water consumer.

Mr Byatt's primary functions are to ensure that the compa-nies operate efficiently and that customers get value for money. He has recently been



The water industry's £28bn capital spending programme is well up to schedule. Thames Water, largest of the 10 companies, is spending £250m on the London water ring main

Issues outstanding

Although most of the turbulence of privatisation has subsided, a range of issues is causing concern within the industry. Foremost among these are relations with its own regulators and the poor public image which

the water industry still has. Richard Evans reports

sive diversification and insisted on the separation of diversified subsidiaries away from the core businesses water supply and sewerage in order to guarantee the protection of the customer from poor commercial judgments.

but to acquiesce, and because the proposed cuts were relathe proposed cuts were rela-tively modest, honours were considered even. On his part. Mr Byatt now seems prepared to stick to the original inten-tion of not renegotiasing until 1994 the K factor—the shockint charges are allowed to size above inflation each year, This will fulfil the medium term planning needs of the industry. There are also plans, pro-posed by the government on Mr Byatt's recommendation, to introduce more competition into the industry, at least at the margins, by allowing out-side suppliers to bid for green-field sites and by making it easier for new entrants to complanning needs of the industry. pete with the existing supplier. Mr Byatt has also warned the companies against exces-More significantly, Mr Byatt has put out a consultation

paper on the cost of capital which has angered and worried the industry.

He suggests a higher gearing for companies after 1995 of 50 per cent or even 75 per cent compared with the current typ-ical upper limit of 35 per cent; inefficiency encouraged."

a reduction in the cost of capital from 7 or 6 per cent at flota-tion to 5 or 6 per cent; and a reduction in dividend levels from the 9 per cent estimated at flotation to half that, or even to zero.

The industry is set to respond by the end of the month, but the tone of the reaction is already clear. Mr Mike Carney, secretary of the

Water Services Association, has said the changes would create an industry in which efficiency is punished and

The suggestions, he adds, would fly in the face of inves-tor expectations in the privatisation prospectuses. would make it harder to finance investment, delay the achievement of better water standards, and would mean even higher prices.

It is a potential confronta-tion that could have far-reach-

ing implications for the indus-try and its relations with its customers and shareholders. Matters are also moving

ahead fast on the environmen. industry's defects have been tal side, with the European exaggerated beyond measure Community waste water directive due to be introduced by 1998. This will ban the dumping of sludge at sea and enforce higher standards of seasons treatment before disand beyond reason. The whole thing has been hyped to the point of absurdity."

The problem stems largely from the politicising of the industry during the conflicts

sewage treatment before dis-

cuting agency, so the pressure

will not let up.
Industry leaders admit they

have a big public relations problem, with public and media concentration on high

posal via pipeline.

Lord Crickhowell and the over privatisation, and it is set to continue as a political foot-ball at least until after the gen-NRA, which has been having its own problems with the reseral election. ignation in June of Dr John Bowman as chief executive because of "serious shortcom-The Labour Party has pledged that the water indus-try will be returned to public ings" in organisation, has kept

control, although the priority and timing of the change remain unclear. a lower profile in recent months. However, it will shortly be bringing out new But rather than outright renriver quality objectives and it is determined to maintain its ationalisation, which would be a ridiculously expensive option reputation as a vigorous prose-

for a party pledged to concen-trate resources on health, education and social services, a Labour government would use Ofwat and the other regulatory agencies to change the industry's priorities under the existing rules so that the customer is favoured at the expense of he shareholder. Mr Byatt, instead of being

profits, big pay rises for senior executives, and the occasional quality lapse.

The colourful Mr John Belthe vaguely meddling, difficult figure he is at times perceived to be, could turn into the lak, chairman of the Water Services Association as well as of Severn Trent, says: "The disparity between reality and per-ception is alarming... the industry's protector against too much government interference.

IN THIS SURVEY

■ Performances: While the water companies share a stable core business in supplying water, differences between the 10 have been highlighted in the years since privatisa-

■ The suppliers: Suppliers to the industry are finding that the trickle of orders flowing from the water utilitles' £28bn investment programme is not the flood that they were warned about...... Page 2

■ Regulators: The reputation of the director-general of Olwat as a no-nonsense negotiator and champion steadily reinforced by a well-chronicled series of



The environment: Britain has been in trouble with the EC Commission over drinking water directive which lays down levels of stances in water.....Page 3 ■ Charges: The deadline for a decision on charging

But a range of conflicting views still remains..Page 4 ■ Investors: The water sector has had its fair ticularly in recent months as investors' concerns over regulation have

policy is fast approaching.

■ Editorial production: Phil Sanders

RES

How an investment of £1,000,000 a day is filtering through to our customers.

For the rest of this century, Thames Water is investing £1 million every day to improve water quality, customer service, operational efficiency, and the impact on the environment.

For a start, as part of a £400 million

programme, we've just opened Europe's most

advanced water treatment plant at Kempton.

is revolutionising the way water is purified.

by burning wood and other ingredients.

It uses Granular Activated Carbon which

GAC is a special form of carbon, made

The result of this programme will be

brighter, purer, better-tasting water for all our

7 million customers once it's fully on stream.

Then, to improve customer service as

tech Customer Centre at Swindon.

For the price of a local call, customers can phone us for answers to almost any query from anywhere in the region.

well, we're progressively opening a new high-

Apart from spending in excess of £200 million on maintaining and renewing the existing water mains, we've been working on a dramatic new solution to improve water supply to London.

> The new London Water Ring Main, when completed in 1996, will be 80km long (that's longer than the Channel Tunnel) and big enough to drive a London taxi through.

Part of the new Ring Main is already in



Many operational efficiencies are being made also. One example is our new laboratory in Reading which has replaced many smaller ones so as to carry out better, faster testing of over 2 million water samples each year.



And we're helping to achieve cleaner

We've almost completed a £250 million programme to improve the quality of treated waste water. By next March we will have refurbished 157 sewage treatment works to meet new high standards of environmental protection - 142 are already completed.

All in all, our aim at Thames Water is

simply to supply the highest quality water services in Europe - and to continue to have the lowest combined water and sewage bills in England and Wales.

In short, we're investing in customer satisfaction. It makes for a more profitable company which in turn makes for satisfied shareholders.

Which is why for everyone involved in our business - our shareholders, customers and employees - customer satisfaction is the best investment of all.



investing in quality, service and efficiency.



WHILE the water companies

share a stable core business in

supplying water, differences between the 10 have been mgn-lighted in the years since pri-

Their relative performances will depend on how each scores

on several key points, notably

the scale of their capital expen-

diture programme and their

ability to manage the costs and

into non-regulated businesses.

The companies themselves

recognise that as profits from

the core water business are

going to be difficult to increase much due to the regulatory cli-

mate, added value to share-

holders will have to come from

Mr Andrew Stone at Hoare Govett is looking for those companies which also know

how to provide shareholders with a good return without

that was one of the worst

affected by the dry spell means

that Anglian has a very large

through into drinking water in

£152.6m (from £139m the previous year) in the year to March

31, its continuing need to invest in the core business will

keep operating costs high and

its approach towards diversifi-

cation has been conservative.

Nevertheless, Anglian has been adept at containing costs and is expected to report a solid

rise this year with pre-tax profits to March 1992 forecast at

near £175m. The continuing presence of Lyonnaise des Eaux, the French water com-

pany with a 9 per cent stake,

committed to a heavy capital

the large number of old towns

SUPPLIERS are finding that the trickle of orders flowing from the water utilities'

£28bn. 10-year investment pro

gramme is not the flood that

they were warned about - it is not even strong enough to fill

North West: North West is

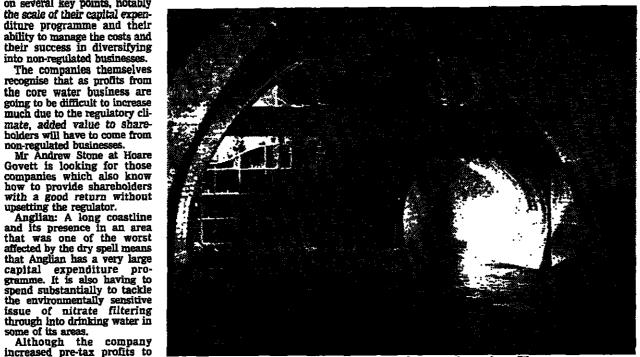
nditure programme due to

Although the company increased pre-tax profits to

non-regulated busines

upsetting the regulator. Anglian: A long coastline and its presence in an area Michiyo Nakamoto takes a look at the performances of the 10 companies

Corporate differences highlighted



Thames Water is spending £810m to keep London's sewers in good condition

tial sewerage work and a high-

profile coastline. Last year's 2408m capital spend was the highest among the 10 companies. The additional need to finance several acquisitions is likely to push it into an indebted position by the financial year end. However, efforts to diversify into process engineering are paying off and the company is already deriving more than 5 per cent of its operating profits from tax profits of £214.5m (£177.8m) are forecast to rise to between

5226m - £250m. Northumbrian: As the small-

coment of non-core busin could make a considerable difference to Northumbrian's performance. It was quick to recognise the importance of diversifying into non-regulated businesses and moved into the environmental services sector as as well as computer infor-mation technology and sewer cable television. Last year it was the only water company to report a set-back in pre-tax profits, which fell to £46.9m (£54.8mm). However, costs are likely to fall from last year's high levels, the company is still cash positive and pre-tax

Substantial non-core expen-diture will eliminate its cash £54.2m and £60m this year.

Severn Trent: Perhaps the most aggressive in its efforts to diversity. Severn Trent has made no secret of its ambition to become a market leader in waste management in the UK. It followed up a hostile bid for Caird, the waste management company, with the acquisition of Biffa, the fifth-largest UK waste management company, which will bring in £100m of unregulated turnover. Severn recently sold its 29.9 per cent stake in Caird, after the bid

surplus but pre-tax profits were up 15 per cent to £349m

investment programme

£ hillion (at 1990/91 prices Treatment to meet MWWO Studge disposal

to £271m. Southern: Southern, together with South West, are the two most affected by tighter EC regulation on water pollution. The big issue for Southern is to what standard does the treatment of effluent need to be raised and how much it is going to cost. Although it ruled out a cost pass through appli-cation this year, the issue is a long-term one for Southern. Diversification has been low

in activities ranging from plumbing to bottling mineral water. Pre-tax profits of £97.1m (284.Im) are expected to tise this year to about £117.8m, helped by a £7m exceptional profit from the sale of 25 per cent shareholdings in three water supply companies.
South West: Like Southern

South West Water faces sub-stantial costs in cleaning up its beaches and expects to spend an extra £320m, or about 40 per cent of its entire capital expenditure to 1995, on improve-ments to its sea waste outfalls. Not surprisingly, the first interim application for cost

pass through comes from South West and a decision on the application is expected from Ofwat within the year. Diversification has be the form of a 20 per cent stake in the West Country Television

consortium. Meanwhile, interest income which provided as much as 42 per cent of its 588.2m (582.8m) pre-tax profits last year is dwindling while the company faces one of the fastest-rising capital spending programmes in the industry.

Thames: Thames, the only water company so far to have reported interim figures for 1991-2, opened the results season on a conservative note The largest of the 10 companies and noted for its aggressive management style, the company nevertheless adopted a conciliatory tone towards the regulator at its interims. Manement has also attempted to ease customers by avoiding a hosepipe ban in a dry year and accelerating work to prevent leakages. Its also lowered its

1992-3 water price increase.

Forecasts for the full year

range from £88m to £92m

£118m (£113m) were slightly lower than anticipated, under-lining Thames's vulnerability to fluctuations in metered consumption by industry and commerce. The forecast is for £231-£242m and it remains to be seen whether the recession will still be affecting measured rev-enue in the months ahead. Welsh Water: Welsh was ini-

tially considered one of the most attractive of the 10 but some of the shine has worn off

One of the smallest of the 10, Wessex has gone into the waste management business in a bold way

as a result of tighter environmental regulation and the 14.9 per cent stake it acquired in South Wales Electricity. This holding, gained at the expense of considerable hostility on the part of the electricity company, has left many wondering what exactly Welsh Water's intentions are as talk of mutual co-operation has failed to yield anything so far. Diversification

business and also engineering and environmental consul tancy. Pre-tax profits of £128.2m (£97m) exceeded for casts by more than any other company but on the other hand capital spending has fallen behind. In the current year forecasts are for £144.2m

has taken it into the hotels

Wessex: One of the smallest of the 10, Wessex has gone into the waste management boniness in a bold way. It has set up Wessex Waste Management £125m joint venture in a broad range of solid and liquid disposal and ireatment activities with Waste Management of the US, the largest and a highly respected waste management company. This subsidiary acquired Wimpey Waste Management, which ranked fifth in the UK.

its determination to succee in its chosen non-regulated field is demonstrated by the statement that non-regulated profits could contribute as much as the core water bustness within six to seven years. Meanwhile, the structure of its deal with Waste Management could result in the US company owning up to 20 per cent of Wessex. Capital expenditure is undemanding and pre-tax prof-its of 266 0m (£56.5m) at March 1991 are forecast to rise to

between £73m-£80m this year. Yorkshire: The highly-rated ening of the European Community's environmental standards and developed sludge incineration techniques early on. As a result, Yorkshire is a UK leader in this technique and this has kept the company's capital expenditure programme relatively low risk. Yorkshire is also keen to invest in the waste sector. The enterprise division, its non-core activities such as laboratories and engineering, contributed 27.1m to turnover. Pre-tax profits of 2114.1m (£101.3m) were at the higher end of market expecta-tions despite charges for 1991-2 that were the lowest for the 10 companies. Forecasts are for profits up to £122.5m.

Elisabeth Tacey talks to suppliers

Spare capacity available

their working capacity.
The reality seems a far cry from the expectations of 18 months ago, when the utilities expressed fears that UK suppliers would be unable to cope with the expected huge order

In May, Mr Robin Millard, director-general of the British Effluent and Water Association (Bewa), the suppliers trade body, said of the lack of orders that "several of our members are reporting spare capacity and clients may well regret that this has been

Mr Millard, managing director of Simon-Hartley, a treat-ment plant subsidiary of the Simon engineering group, believed that "an improved state of co-operation" was building between the water companies and suppliers - but still argued that the suppliers had too little information on the companies' capital spend-ing plans and could not plan their resources effectively But Mr Paul Garrett of the

Water Services Association.

the water companies' representative body, says: "I think the water companies are giving as has increased. The Society of British Water much information as they

can". Companies have said how much they are spending, on what and when, he says, and the suppliers "should know the scope of it [the investment programme]". Bewa found in its latest four-monthly survey published this month that more than two sidered lack of orders their said their amount of work was

less than satisfactory.
Orders for municipal water treatment plant had fallen by 20 per cent in the first half of the year - although orders for effluent treatment plant had risen by 40 per cent. "Concern is still increasing among con-tractors that their capacity is less utilised than was initially anticipated," says Mr John Hills, Bewa director.

In the July survey, Bewa
found that half their supplier
and manufacturer members had less than three months' work on order and in this month's survey this difficulty

Industries, set up in 1966 as a talking shop for companies to liaise with the water authorities for which they were working, agrees that the work is coming through "not as much or as fast" as its members would like. For the contractors, SBWI says that the work-load is "increasing slowly" to three years' time. Bewa reckons contracting activity will be greatest from the second half of 1992 to 1994.

Mr Garrett says that the investment programme is run-ning to schedule and work on some projects is almost fin-ished, while others are near the beginning. He says that orders may increase during the next few years, but he suggests that some companies may be expecting work that will not materialise The SBWI and Bewa both

water companies to get the water companies to get the planning consultations out of the way. And Mr Hills says that, having made two rounds of visits to the companies since privatisation, he hopes the water companies better understand suppliers' worries about a sudden unexpected load of work. A peak is not necessarily good for anybody," he says. "The more work that comes out all of a sudden, the more likely that things will go

Mr Garrett says the programme is "graduated" over a 10-year period: "There are no horrendous peaks."

Mr Millard says he is con-cerned about the influx of "engineering and project management resources from outside" into the municipal sector: "Our members will be ted by the over-capacity who could well move out of our sector if greener pastures Mr Hills admits that "the up between water companies and suppliers, particularly contractors. Mr Hills points out that 10 per cent of Bewa mbers are now owned by the water companies.

BSWI agrees that "water companies are undertaking contracting work themselves. which is tending to cut into the rest of the privatised sec-

In contrast, Mr Jim Prestridge, director of the British Water Industries Group, says his members are "pretty bullish". All companies, including the group of th the smaller ones, are increas ing their turnover when other industries are losing work.

He points out that there are "equally large programmes" throughout western Europe to bring the EC into line with directives on water quality,



and there are big markets opening in central Europe as aid begins to flow that way.

tial", says Mr Pres-tridge – and improved language capabilities, there are "very good prospective mar-kets throughout Europe", he

says.
The Bewa survey found that about a third of its members were having to work to client specifications and make new sell standard plants which would save delays and up to 20 per cent of the cost. But Mr Garrett replies that

the water companies "must designs, perhaps deciding that such designs would better comply with the European standards that are the reason for much of the work.

The need to comply with new European directives is also leading 90 per cent of Bewa members to increase their research and development work. Mr Roger Stokes of the Water Research Centre says the impetus has come from companies having to compete by public tender throughout Europe, and from the Construction Products

Directive: "the most compli cated hit of legislation". He says that suppliers "must get their act together" to meet attestation, or quality, requirements, which mean improving either the suppliers' quality assurance or the performance of their products.

"There is a need for prod-ucts to be better defined or better performing," he says.

The increasing competition means there is also a "greater desire to demonstrate that products meet these [EC] requirements," he says — so independent assessment and testing of products is on the

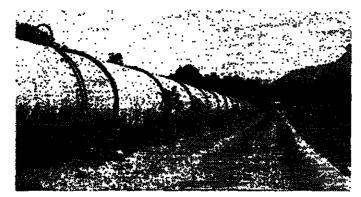
Mr Stokes says that plastics pipes with large diameters, such as sewers, are being developed with new plastics that have the rigidity needed to withstand the heavy soil load. The Street Works Act, which came into effect this year, requires that public works are done with the mini-mum of disruption, for example minimising trenching and bedding of pipes. Research into robotics is therefore also

There is also a "huge involvement in writing new European standards", he says, "making sure that the UK is

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IN THE past few dramatic years for the water industry, most attention has inevitably focused on the 10 water and sewerage companies that were privatised. The rest of the industry – and the former stat-utory water companies – have been edged out of the spotlight. This is understandable

tural change in the industry for 15 years, but the fact is that privatisation has had as big an impact on the water-only com-panies as on the former water The 28 water-only compa-nies, although already in the private sector, have also had to

adapt to the new structures, and most of all with the new and dominant regulatory regime. It has at times been a costly and difficult process.

"Everything has changed for

us as well, and we are still in the process of coming to terms with the regulators," says Mr Michael Swallow, secretary of the Water Companies Associa-The water-only compa-

nies – called water supply companies by the associati have shown a remarkable resilience over the years and have managed to retain their independence against all the odds despite a series of industry reorganisations.

They vary is size from South Staffordshire which supplies 1.25m customers and had a turnover of £41m in 1990-91 to Hartlepool which covers 90 square kilometres and supplies population of 92,000. In all, they provide a quarter of the water in England and Wales but unlike the former authoritles they have no dirty water functions.

Historically, water compa-nies were the pioneers of the water supply industry in England and Wales, in response to the growing indus-trialisation and urbanisation of the 18th century. By common consent, their record has been a good one.

because the process of flotation represented the biggest strucage... and these towns escaped with a very slight visitation of

integrated river basins.

The statutory water compa-

easier to leave them alone.

incorporated by individual acts of parliament and with their shares quoted on the stock exchange and held mainly by institutional investors. Strict financial controls covered divithat could be raised, and charging patterns.

It was a sleepy, low-profile area until there were indications that the big authorities might be privatised and big French water companies, among others, saw their chance to gain a foothold in

Remarkably stable

Richard Evans on the statutory companies

there were more than 70,000 deaths in England from a cholera epidemic, it was noted that "Newcastle and Gateshead were plentifully supplied with water unpolluted with sew-

The structure of the industry prior to privatisation was cre ated by the 1973 Water Act which rationalised the numer-ous local authority-controlled bodies concerned with water and set up the 10 regional water authorities based on

French water companies saw their chance

nies escaped the 1970s reorganisation largely because of their powerful political support. They have traditionally had Peers and senior MPs as political allies and they were simply too difficult a hurdle for Mr Edward Heath's Tory government to surmount, it was far They were privately owned,

lends, the amount of capital

the changing UK industry. In 1988 and the early part of 1989, Compagnie Générale des Eaux, Lyonnaise des Eaux and Worcestershire.

SAUR - a subsidiary of the construction group Bouygues
- launched 12 successful bids for statutory water companies, two of them contested. They bought large stakes in several other companies and forced the government to enact legislation obliging the Monop-

olies and Mergers Commission to investigate any further large hids in the industry. Since then the choppy waters of the statutory com pany sector have calmed and the French have been busy consolidating their position by merging some of the activities of neighbouring companies where they have a controlling

The present position is that Compagnie Générale controls six companies, North Surrey, Folkestone and Tendring Hundred, and Coine Valley, Lee Valley and Rickmansworth. where many operations are being merged into Three Valleys Water Services. It has stakes in three other companies and has set up Gusto (General Utilities Scientific and Technical Organisation) to provide a forum for the compa-

Lyonnaise des Eaux Dumas is promoting a similar exchange of technical expertise. It controls four compa nies. Essex and Suffolk and Newcastle and Sunderland, some of whose operations have also been merged. SAUR controls three: Mid

Southern, Mid Sussex and West Kent. Biwater, the British construction and water contractor, owns Bournemouth and has a controlling interest

Most of the companies bought by the French suppliers are still run as independent units, with guidance from the parent company's UK subsid-

The privatisation of the water authorities and the introduction of a new regulatory regime gave the statutory companies the opportunity to convert to public limited com-pany (pic) status should they so choose in order to avoid voting and dividend restrictions. It also gives access to competitive capital funding rates and new methods of raising capital.

The process has been a slow one, partly due to continuing political uncertainty over the industry's future, but there has been a steady trickle since Mid Kent Holdings became the first to take the plunge.

Since then it has been joined by East Surrey, Newcastle and Gateshead, Sunderland and South Shields, Colne Valley, Lee Valley, Rickmansworth, Portsmouth, York and Mid Southern. The latest to change status are two of the biggest - South Staffordshire and Bristol - both of which complete their conversion this

There have been a number of others, including North Surrey. which have converted to lim ited company status or have shrugged off their statutory status through shareholders' resolutions without converting fully to a pic.
But despite these changes.

the water supply companies have been remarkably stable over the past year following the turmoil that preceded pri vatisation. This could continue as Mr Ian Byatt, director gra eral of Ofwat, the industry's regulator, has made it clear he has no intention of permitting wholesale mergers or takeovers in order to preserve as much comparative competition as possible in what must remain an essentially monopolistic industry.

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and these environmental pressures have intensified since the

privatisation of the industry

two years ago. Britain, in common with

some other European Commu-

nity countries, has been in trouble with the EC Commis-

sion over failure to comply

with the drinking water direc-tive which lays down levels of

pesticides and other sub-

stances in water and the bath-

ing waters directive on quality

Many other industrialised

countries suffer environmental problems connected with water

supply. The situation was recently examined by the

Organisation for Economic

Co-operation and Development

(OECD)in a survey of its mem-

ber states which include west-

ern Europe, the US, Canada,

Japan, Australia and New Zea-

It concluded that although

the majority of environmental expenditure is concentrated on water improvement, the situa-

tion is not improving as fast as

YOU only need to glance at pages 62-64 of Ofwat's 1990 annual report to see how

active the water sector's princi-pal regulator has been. The list

finance directors from the

impressive evidence of the seri-

ousness with which Mr Ian

Byatt, director-general,

approaches his task. His reputation as a

no-nonsense negotiator and champion of the consumer has

pointed interventions.

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WATER INDUSTRY 3

THE WATER industry has John Hunt considers environmental aspects always been been a natural target for "green" campaigners

Pressures intensify

in broad compliance with the EC water and beach directives

by 1995. The Water Services Association (WSA), representing the 10 big water companies, says that targets for water improvement are being systematically achieved as the companies make up for the backlog of under-investment in the years before privatisation.

The industry has a massive £28bn improvement programme up to the year 2000, including £13.7bn on sewage works. Of this, £2.9bn will be spent to bring most bathing beaches up to EC standards by the mid-1990s by building long sea outfalls and more sewage treatment plants on the coast. Improvements in drinking

water quality will account for £1.8bn investment over the next five years. Eight water companies serv-

However, it did see some ing 12m people recently gave the government a commitment progress. Significant microbial contamination of drinking to build a total of 79 new water treatment plants at a cost of \$450m by the end of 1985, in order to comply with the EC drinking water directive. A furwater supplies had been virtually eliminated and the percentage of population served by sewage treatment had risen steeply.

The UK has now put forward ther 15 companies are expected

to follow suit shortly.

"All investment has to be paid for ultimately by the customers," warns the WSA. "This is true whether water is puba compliance programme which, says the Department of the Environment, will mean that the water industry will be



Environmental obstacle: A pipe laid on the bed of the Thames

licly or privately owned."
The industry welcomed the recent report of the Drinking Water Inspectorate which said that water supplied by the 39 English and Welsh water companies was "generally of a high standard and much was of an exceptionally high standard." It found that standards were

met in 99 per cent of the 3.3m tests it carried out in a year. However, environmentalists point out that the inspectorate was also considering prosecut-ing four water companies for failure to meet drinking water standards. In other cases, the inspectorate had to take enforcement proceedings to make companies start reducing levels of pesticide residues and

According to Friends of the Earth, the environmental pressure group, 10m consumers in the UK are supplied with tap water which is contaminated beyond legal limits. It says some people will have to wait until the year 2002 until their supplies meet the required

The Government has allowed time for the companies to bring drinking water into line with the EC directive which says that pesticide residues must not exceed one part in 10bn of the water supply - a minute quantity known as a surrogate zero.

The government and the companies say that water in the UK is perfectly safe for drinking and complies with the World Health Organisation's

Much controversy has centred on complaints about dirty beaches. Friends of the Earth says more than 300m gallons of raw or virtually untreated sewage are discharged around the UK coastline every day.
"This sewage contains bac-

teria and viruses that can cause stomach upsets, sore throats and vomiting," says Friends of the Earth.

Nevertheless, improvements are being made. In 1990, some 78 per cent of discharges of sewage to bathing waters complied with EC standards, compared with 55 per cent in 1985. There has been a big rise in investment to improve bathing waters. It was £30m a year between 1981 and 1985 and since then has been running at

£100m annually.

By 1995, most beaches will meet standards except for one or two big improvement schemes which will be completed by 1998.

In any case, says the WSA, sewage discharges only accounted for 10 per cent of bathing water pollution in 1990. It says most river and sea pollution now comes for sources such as industry, mining, agriculture, fish farms and

It maintains that the UK's current improvement programme for bathing waters is well in advance of other EC states. However, some EC countries have a better compliance record - Netherlands 90 per cent, France 86 per cent, Ireland 85 per cent.

Britain intends to cease the dumping of sewage sludge in the North Sea by 1998 and this will cause problems for the water companies.

Much of the sludge is already treated and used in agriculture but more now has to be disposed of on land by other methods. Landfill sites have become more expensive over the years and the alternative of incineration is also very costly. New incineration plants would have to be built and could face strong opposition from local residents when plan-

ning permission is sought. There is also a problem with depleted rivers and streams drying out at certain periods of the year because of over-ab straction of water. Demand for public water supply has increased by 70 per cent in Britain over the past 30 years and periods of drought have made matters worse.

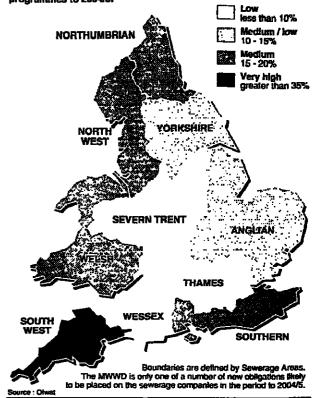
About 50 rivers in the UK

suffer from depletion which devastates wildlife and landscapes and exacerbates pollu-

The Council for the Protection of Rural England argues that provision of more water resources such as new reservoirs is not the answer. Demand would only increase to meet the supply in the same

Municipal waste water treatment directive

The impact of the additional investment necessary to meet the requirements of the MWWD relative to the total investment programmes to 2004/5.



way that a new motorway rapidly fills with traffic.
"Rather than developing new resources, the time has come when we must acknowledge

manage demand broadly within the limits of our existing water resources," says the Council.

that the only way forward is to

Andrew Freeman on the no-nonsense regulator

Consumer's friend

that a high profile for water and sewage is not always com-fortable for those involved, but says he believes it is in the public interest. Discomfort was plainly evident in the behindbeen steadily reinforced by a well-chronicled series of the-scenes negotiations which preceded September's announcement on next year's

price increases The other main industry regulator, the National Rivers Ofwat made it very clear Authority, has been much less over several months that it considered the companies' profitability to be excessive. in the spotlight, despite an active first year in which it Had unexpected profits come from efficiencies, the comparaised awareness of water pol-lution. This article will concentrate on Ofwat. Not surprisnies might have been allowed to keep the money and pay higher dividends to shareholdingly. Mr Byatt's zeal and robust handling aroused strong feelings among the water companies. For a start, they have had to watch their shares underperform the market despite their ability to pay above-average dividend increases. They have consis-

Byatt's positions are incompatible with the terms of his reguatory licence. must hold good in the longer intervention. From the shape Mr Byatt has commented term. It knew that if it took too of the settlement, it is clear

tently argued that some of Mr

and the companies were con-ducted privately, but it is an

open secret that at least two companies threatened legal ers Instead it was obvious that a favourable operating and financial environment had made the sector unexpectedly wealthy.
While Ofwat has been aggressive in exploring the limits of its government licence, it has always stressed

tough a stance on prices during the good times, consistency would suggest that it would then have to allow the companies to pass on costs to customers in a less friendly operating environment later on.
As in 1990, Mr Byatt wanted the companies voluntarily to

give up some of their permitted price increases so that customers gained some of the benefit. In cases such as Welsh Water and Severn Trent the implied sacrifice was considerable. Discussions between Ofwat

action against what they thought was an unjustified ision of Ofwat's powers. They argued that the precise limits of Ofwat's licence hinged on the definition of the term 'economic forecasts" among that they largely won the argument. Although Ofwat obtained so-called voluntary abatements from all the companies except South West and Anglian, the decision to accept relatively small abatements was seen as a climb-down.

South West Water was an exception because extra capital spending requirements meant it was applying for larger pric increases than those fixed at the time of privatisation. Anglian was the other com-pany which refrained from offering a price increase abatement, but it asked for more time and promised to try to help its customers in other

The regulator may have saved consumers some £40m off next year's bills, but the companies in aggregate kept 84 per cent of the maximum

allowable price increase.

The danger was that Ofwat would ignore small voluntary reductions and force the intervention of the Monopolies



Ofwat director-general lan Byatt: pointed interventions

Commission, Instead, Ofwat chose to lay stress on the avoidance of an annual cycle of price battles. In his statement explaining the abatements, Mr Byatt placed the pricing issue in a medium-term context, defining its regulatory role as guarding against monopoly

abuse while preserving performance incentives.
To some extent, that position represents relief for the sector. Arguably, Ofwat's decision should dictate the shape of price regulation up to the industry review in 1995. But few of the companies express unqualified optimism about

regime.
Mr Byatt is perfectly free to review price increases again next year. Indeed, everything suggests he will have to do so because the companies core profits will once again be

the future of the regulatory

embarrassingly high.
Alternatively, he can simply bide his time until 1995, at which point the way is open for him to install a much

tougher regime.
Given that the companies were privatised on the basis of financial assumptions which quickly looked absurdly gener-

ous, it was not against their interests to give their custom-

ers a small break. But one can argue that the companies can do little to stem the growing tide of public opinion against private sector monopolies Political feeling will follow

the voters. It is a matter of judgment as to how long it will be before voter discontent is translated into much tighter regulation.

A hint of the shape of things

to come was given in the recent proposals for the gov-ernment's Cirizen's Charter. As part of the consultation pro-cess, the Department of Environment called for greater competition within the water industry, despite the fact that the structure adopted for privatisation recognised the natural monopoly characteristics of the

water business.
Competitive measures proposed by Ofwat included a series of changes in the rules affecting bulk water and sewage services. The industry's immediate reaction was that future profitability would be barely altered. But between the lines of the proposals can be discerned a tough future.

Mr Byatt has stressed that

there are two big policy issues facing the industry. The first is the need to finance improvements to water quality and to the environment.

The second concerns the way domestic consumers are charged for their water in

future.

A further way in which
Ofwat has taken the lead in
regulating its industry is in its insistence that the regime must be based on good, accurate and consistent information. The water companies are now subject to a rolling technical and financial audit.

Ofwat is also developing a code of practice, as well as a series of output measures to act as surrogates for improvements in performance and effi-

ciency. National Rivers Authority?

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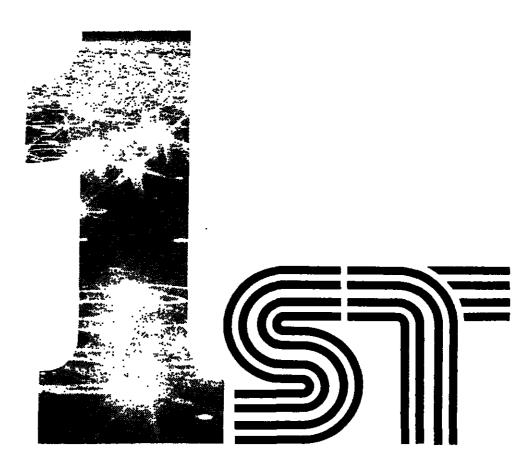
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Which company has the lowest drinking water charges of the ten recently privatised water services companies?

...yet is also investing a massive £4 billion over ten years to improve its services still further?

...was No. 1 in the water sector for pre-tax profits last year?

...runs the largest liquid and solid waste disposal operation and already complies with the EC sludge directive?

...was the first into partnership in Europe?

...owns one of the largest commercial laboratories in the UK?

...has the people, skills and resources to deliver a first class quality service for its shareholders, customers and the environment?





three, Welsh, Severn Trent and

Southern carry yields roughly

0.5 per cent higher than the

pack, but significantly less than South West.

gests that the bulk of the com-

panies are still seen as broadly

similar. But there is general

agreement among analysts that investors have developed a greater understanding of the sector. This has extended into

a growing willingness to com-pare water with other utilities

such as electricity. For exam

ple, a leading broker recently took a party of institutions to

Birmingham to meet the regu-lators of the two industries.

For investors, it was a chance to assess the respective regulatory regimes. There are

some funds, however, which will hold water shares what-

ever the uncertainty over

Ofwat's intentions.

A breakdown of the yields

available on stocks in the FT-SE 100 index of leading

companies shows that the

water companies feature heavily among the highest yielding stocks, along with

banks, insurance companies

and miscellaneous others.

Because water shares have

much better prospects for divi-dend growth than most high-

yielding stocks, they are very attractive to specialist income

From that investor's perspec

tive, the political and regula-

tory risks are unlikely to trans-late into significant downward

movement of the shares. Even

if, for example, Ofwat moved to impose dividend restraint on

the water sector, the compa

nies would probably be allowed

to grow dividends in line with inflation, implying a yield on the shares not less than yields

That narrow differential sug-

■ THE CITY'S VIEW

A better understanding

fair share of fluctuations, particularly in recent months as investors' concerns over regulation have heightened. But alongside that immediate influence, there has been a continuing need for investors to develop their understanding of the industry in which they

have placed their money.
It is possible to identify a gradual process by which the institutional investors have become more familiar with the water companies. At the outset, analysts and investors alike were hampered on sev-

Mr Robert Miller-Bakewell, sector analyst at County Nat-West, remembers that some of the water companies were slow to anticipate their movement into the private sector and invite outside scrutiny of their

There was also the problem of explaining a new industry to investors. Mr Peter Hyde, sec tor analyst at Kleinwort Benson, says: "When the compa-nies were sold off, there was a general lack of understanding of utility investment. Now it has become more obvious that the companies are not homoge neous. Investors realise that not only can they switch between, say, water and gas, but they can also switch between individual water com-

There was no single moment when investors realised that the water sector did not consist of a single entity that had simply been broken into 10 pieces by privatisation D privatisation. By the time package of water shares was broken into its constituent parts in July, only about 10 per cent of the shares were still held as package units, which suggests that investors had largely realised they had to take a view on the individual companies. Analysts report a growing interest among institutions in making company

In that sense, it has slowly become clear that the govern-ment's marketing of the water flotation was essentially misleading. The 10 companies were quite different, not just in their financial profiles but in the philosophies of their managements, particularly with regard to relationships with

the industry regulator. Why did the process take so Mr Miller-Bakewell points to the need in the flotstion prospectus for profit and dividend forecasts. This gave the companies unusual latitude in their dealings with ana-

Some company chairmen were content simply to cite a prospectus page number

lysts and investors and delayed the formation of channels along which information nor-mally flows.

When asked about progress, some company chairmen were content simply to cite a prospectus page number, without further elaborating. There was managers to claim they had excellent relations with the regulator, where in practice there were some fierce confron-

Not until this year's results has it finally become clear to analysts which managers can be relied on for accurate industry background.
Analysts think the spectrum

of companies is now more accurately defined than it was in the period immediately after flotation. Originally, Anglian Water, which had a conserva-tive management and was seen as the purest water company, was at one end. At the other was Severn Trent, which had an ambitious and expansive management and was keen to diversify away from its core

But as Mr Hyde comments The true differences between the companies began to become more obvious from about March last year, but we can still have a problem per-suading investors of this." The difficulty is partly a reflection of the fact that the companies' long-term strategies, although better delineated, are still relatively unclear.

The question from the investor's perspective is whether adequately reflected in the yields on the various shares. When trading began after flota-tion, there was a consistent yield range of a percentage point between the ten compa-

At first glance that range has slowly widened so that recently, partly-paid shares in Wessex were yielding 6.6 per cent, while those of South West Water were on easily the high-est yield of 8.8 per cent. Analysts point out that these two companies have come to occupy the extremes at each end of the spectrum which were originally occupied in principle by Anglian and Sev-

ern Trent.

If Wessex and South West are excluded, the opposing positions are filled by Thames (7 per cent) and Southern Water (8 per cent), with the remaining companies some-where in between. Of the eight companies, five consistently trade below the average yield for the sector – Thames, York-shire, Anglian, North West and Northumbrian. The remaining

Andrew Freeman

Conflicting ideas must soon be resolved, writes Richard Evans

Deadline looms for a decision on charges

THE IDEA that water should be sold like any other commodity and priced by quantity consumed has always had an appeal to market theorists. When the water industry in England and Wales was privatised two years ago, it was assumed that most of the new companies would eventually switch to metered supplies. cussion and research, the time is fast approaching when a decision in principle will have to be taken on future charging

policy, but the uncertainties seem as acube as ever. At present, virtually all industrial and commercial users are metered and pay for their water accordingly while most private householders pay for their water on a scale inked to the rateable value of

their house. The government has agreed that charging based on rate-

The relatively close target date has concentrated the minds of industry leaders and technical experts wonderfully

able values can continue to the year 2000, but because domes-tic rates were abolished with the introduction of the Community Charge, or Poll Tax, in April 1989, an alternative charging system will have to be found before then.

The relatively close target date - preparations will need to be made several years ahead of the deadline - has concentrated the minds of industry leaders and technical experts

as an example of naïvety on the part of the former public sector company. Severn Trent was left with the holding cost of a 30 per cent stake in Caird and a frustrating wait until it was free to bid again. In the

meantime, its purchase of Biffa was consolation That deadline passed on October 24. It was (and it has been) widely assumed that Severn Trent would will renew its bid at some point, if only because the position of Caird's business would give the water

company a complete geographical spread over the UK market for waste management ser-

understood to have held dis-Trading on the question of whether a bid might stumble on the perception that regional monopolies would result. Those talks evidently came to an unsatisfactory conclusion, because the water company sold its stake in Caird within days of the last month's dead-line. (Since the lapsed 100p per share bid, Caird's shares risen to trade as high as 1200. so the water company faces the prospect of a much-increased price.)

While Ofwat has been care ful to confirm that it is not a formal licence requirement that companies inform it of any planned significant diver-sification, it said in September that it expected to be con-

In addition, and perhaps more worrying for the sector in the longer term, Ofwat is cur-rently undertaking a study on transactions between core businesses and associated companies within the group.

The regulator wants to establish whether so-called enterprise activities are receiving cross-subsidies from the core. If subsidies are discovered, Ofwat then plans to issue precise guidelines on cost allo cations.

Managing a water company clearly requires constant vigilance as well as tact.

Andrew Freeman

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Average household bills

wonderfully, but there remains a range of conflicting views that will shortly have to be

1981/2 83/84 85/86

resolved.

Charging for water services based on rates was never regarded as particularly fair or logical, but because water and sewerage charges have traditionally been relatively low, protests were muted. It was not worth creating much of a fuss over any marginal unfair-ness. Also, the system did bear a crode relationship to a household's ability to pay, as more highly rated properties tended to be occupied by the better

However, what to put in place of rates remains an open question and it is now certain that a range of options will be chosen rather than a uniform method: It will be up to each company to decide its strategy after consulting its customers and the Office of Water Services (Ofwat), the industry's economic regulator.

Mr Ian Byatt, director-general of Ofwat, one of whose main responsibilities is to safeguard the rights of customers. published a consultation paper on charging alternatives a year ago and is due to publish his guidelines by the end of this

He outlined three main charging options: A flat rate or licence fee, a banding system based on types of household, based on types of household, and metering. All have their merits, but there are also drawbacks of unfairness or high cost, and the choice will not be

A flat rate charge, which would operate like the televi-sion licence, would be simple and cheap to set up and it would provide certainty of income for companies. But it fails to provide incentives to

save water or for companies to meet consumer demand. It is also open to the same criticism as the Poll Tax of making no allowance for ability to pay.

A bending system, initially a back runner but increasingly mise, would classify house

favoured as a sensible comproholds according to their type and size. The charges would consumption, and the adminis tration would be relatively simple once set up, particularly if the valuations were based on the proposed new council tax, However, once again there would be little incentive to save water.

Metering started out as the most orvious option. Its fair-ness, being based on what peo-ple use as with gas and electricity, is not in doubt. But there are big doubts over capi-tal and running costs as well as over public and political acceptability. It could mean hig hills for large, poorer families. A series of metering trials, consisting of one large area of

consisting of the large area of 53,000 households covering the whole of the Isle of Wight and 11 smaller ones of about 1,000 properties each, is shortly coming to an end and they have not provoked the adverse customer reaction that was widely tomer reaction that was widely forecast.

Some of the trials have shown that the average housebold reduces consumption by 10 to 15 per cent if the water bill is related to the amount it s, and this is one reason why organisations such as the National Rivers Authority and the Council for the Protection of Rural England have come out in favour of metering. It helps to preserve a valuable

Mr David Gadbury, director of planning at Southern Water

monitoring the trials, accepts that the cost of metering is a big problem, but believes that metering is likely to be intro-duced in areas where it would bring the highest environmental benefit such as the parts of the south east with the greatest water shortages.

Strong adverse views have also emerged, however, largely because of excessive cost. The Institution of Water and Environmental Management, which epresents 11,000 industry professionals, claims that the cost of nationwide metering would be £4bu, the equivalent of £200 a household, and that anticipated reductions in consump tion were unlikely to material ise or would at best be small.
"Household consumers would see no benefit from this nassive investment and penalty tariffs would be neces to bring about a meaningful

The incidence of metering is bound to grow, if slowly, as most companies now automatically meter all new houses

reduction in consumption."

Thames Water, the largest supplier and initially one of the strongest advocates of meters, has now ruled out com-pulsory metering. It concludes that metering might make economic sense for some big houses in the stockbroker belt where water sprinklers run riot in the summer months. but not for most other homes particularly where supply pines are shared.

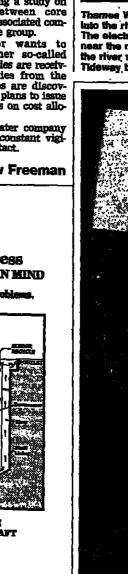
However, the incidence of metering is bound to grow, if slowly, as most companies now automatically meter all new houses and flats.

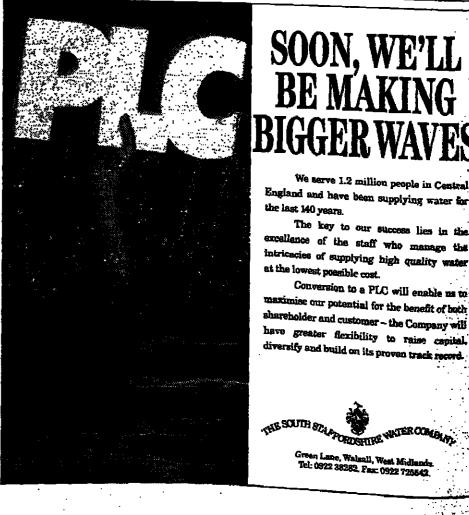
Ironically, much of the preparatory work of the past two years might have been wasted as the Poll Tax, the original reason for the introduction of a new charging method, is due to be abolished by April 1993.

The proposed Council Tax based on property values, or the Labour party's return to "fair rates" could give another option, and water charges could continue to be based on property values, thus avoiding much of the disruption that has been forecast.



Themes Water uses a unique E3.5m vessel, the Bubbler, to pump oxygen-enriched water into the river - thus improving the environment for fish, which "breathe" oxygen in water. The electrically-propelled craft is specially sound-proofed for the benefit of people living the electrically projected state is specially sound for the level of dissolved oxygen in the river, it is used to counter sudden drops in the level of dissolved oxygen in the river which often follow storms. In the 1950s and 60s there were lew fish in the Thames Tideway but today more than 100 species have been monitorerd in the river and its estuary





companies have always had an obvious incentive to generate earnings which fall beyond the controls of Ofwat, the Office of Water Services. The stronger the regulation of their core s, the more in principle they will want to develop other earnings streams from which to reward shareholders. Indeed, such was the likeli-

THE privatised water

hood of a string of diversifica-tions that in June this year Ofwat issued a stern warning to the companies: "I am deter-mined to ensure that the diversification activities of the plc cannot harm the core business," said Mr Byatt, Ofwat's director-general. "Water cus-tomers would quite rightly feel concerned if they felt that diversification was prejudicial to their own interests."

In other words, customers were not to become the victims of over-ambitious expansion into new areas by their local water company. Ofwat subsequently issued operating licence amendments under which the water companies must ensure that at all times they have adequate financial and management resources to run the core business.

The irony of the implied dispute between Ofwat and the

DIVERSIFICATIONS

Fewer than expected

well-publicised exceptions. there have been many fewer diversifying deals than was predicted at the time of privatisation. While most of the water companies have made some nod in the direction of new businesses, this has often involved nothing more than a gentle expansion of specialist activities related to the core business, for example specialist

In practice, the companies have also already begun to make the distinctions urged on them by Ofwat. For example, in May this year when Severn Trent paid £212m to acquire the Biffa waste managemen business from BET, it publicly insisted that funding for the diversification was quite separate from the capital pro-

careful to make the same dis-

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OSS COUNTRY PIPELINES

INS REPLABILITATION

tinction. When Welsh Water issued a £75m Eurobond in October, it did so through its holding company and withheld the water utility's guarantee from the transaction. It planned to use most of the pro-ceeds to refinance its controversial 14.9 per cent holding in South Wales Electricity, defined by the regulator as a diversification despite the benefits it was supposed to bring to the core business.

Unfortunately for Welsh Water, its acquisition of the stake led to a breach in relations between the two companies, with the result that no commercial benefits have been

forthcoming.
The principal area of diversification by water companies to date has been the related business of waste management. A recent study on the links between the two industries by the brokers Hoare Govett identified waste management as a growth industry where the

water companies have relevant skills to offer. Hoare suggested the main advantages brought to the business by the water companies were as follows: experience in dealing with regulators, including obtaining planning permission

• knowledge of local industries and their processes

a plentiful supply of hydrol-

ogists and other scientists

substantial land banks, not for collecting water, but also many suburban sites an extensive network of depots and other facilities

 an industry practised at the organisation of teams of people across a large geographical • in some cases experience with incinerators.

Whether one agrees with the thesis that water companies are qualified, there is no denying that the sector has seen plenty of activity. The struc-ture adopted by Wessex Water, via its joint venture with Waste Management Inc of the US, is held up as the model for the rest of the sector. Wessex managers have kept their main focus on the water business,

leaving the waste subsidiary in the hands of more specialist The approach came to fruiventure company bought Wim-pey's waste management sub-sidiary, the fifth largest UK waste company, for £105m. The purchase shot Wessex into the front-line of diversification, and was greeted enthusiastically by analysts and institu-tional investors.

After privatisation, Severn Trent was first off the mark when it launched a bid for another waste management group, Caird. That effort went spectacularly wrong after a disagreement on profit forecasts,

Te rodence d

or othering is boundy Grow I slowly a

Por companies to Lacing tally metels or new buses

JOBS: Headhunter reports approaches from youngsters offering their services free of charge

Country

Hong Kong

United State Switzerland

South Africa

Denmark

EVER mind now many assorted middle managers you can offer me a you can offer me for very reasonable monies," the Jobs column finally told headhunter John Courtis. "Tell me about the folk who're writing in volunteering

to work for nothing."
My request was prompted by a brief reference to the said would be amateur workers in Mr Courtis's latest newsletter. All it revealed was that they offer to toil unpeid for the first few months to get their toes in the door".

But before going any farther, I'd better point out that my inquiry about them does not betoken loss of interest in managers and the like with a more professional approach to the jobs they are increasingly hard put to find. On the contrary, the recession's effect on Britain's middle-classes is in danger of becoming a too frequent concern.

Only a fortnight ago (flu having intervened last week) I sounded off about the disappearance, perhaps for ever, of many of the essentially information-handling jobs that for generations have provided careers for the progeny of better-off families. And, indeed, it was the same concern that sparked my inquiry about the volunteers. Since the summer, well over a

dozen have apparently written to

Mystery of the would-be amateur workers headhunter Courtis out of the blue, and sadly in vain. The reason is that his business is to find people

for jobs brought to him by client organisations, not jobs for people who write to him speculatively, whether they want paying or not. So he tells them to write directly to employing concerns - although he does so sympathetically, he says, because hardly any of the volunteers has had a job before.

They are predominantly graduates of one sort of another left stranded by the cuts in campus recruitment. What he did not know about them, however, was the thing I most wanted to find out. It is how most wanted to find out. It is how they propose to fund themselves during months of unpaid work. After all, if—as I suspect—the majority would get the money from their parents, the effect of the white-collar are could well be felt not just by its present victims but by the next generation down.

The volunteers are presumably right to think that their free-of-charge efforts would give them a

charge efforts would give them a preferred chance of a proper job later on. So the children of better-off families left unscathed by the

recession would be gaining an advantage over the children of parents bit by same and hard pressed to pay their own way.

It puts me in mind of one of P G Wodehouse's characters - well bred but on his beam ends - who remarked to an older friend how unfair it was that those with the folding stuff got richer and richer whereas those without it went from poor to werse. "Do you know," the friend replied, "I put precisely the same point a while ago to a chappie called Karl Marx, and he said there might be an idea for a book in it."

But, as I can only speculate about the volunteers' funding, my suspicion may of course be entirely wrong. So if any readers are acquainted with would be amateur workers, or if some of them happen to be in the congregation, I would like to hear their views.

MEANWHILE let's turn to folk who are still paid for their efforts in 20 of the umpteen lands covered by the salary and living-costs surveys of the Employment Conditions Abroad consultancy.

Anyone wanting to know more about ECA - a trade association advising some 700 international companies which subscribe to it -

25,779

35,385 28,497

22,823

22,084

21,938

23,216

18,758

24,933

21,775

18,545

12,335 18,993

22,970

25,289

Buying

23,048

22,805 18,800

18,806

16,931

15,750

14,898

15,015 16,141

15,118

12,966 13,275

10,827

12,156

12,149

15 Britten St, London SW3 3TY; tel 071-351 7151, fax 071-351 9396. My table below refers to four different ranks of executives in should contact Wendy Greathead at each country. They range upwards

29,480

35,326

46,885 39,091

31,255

30,829

32,681

25,017

34,983

30,274

16,366 25,459

17,988

30,202

32,143

Buying

29,672

28,722

25,774

24,074

19,603

13,888

from a junior and then a middle big group, to the head of a function

second figure translates the gross pay into buying power.

To calculate it, ECA starts by turning the gross sum into net pay by deducting the tax and like charges standard for a native of the country who is married with two dependent children, and adding such as marketing and finally the head of the division as a whole. Gross Buying Gross Buying power purchasing power by adjusting for price variances shown by surveys 59,415 48,888 39,165 68,978 65,219 90,079 55,463 35,594 82,338 49,176 32,186 45,095 60,014 40,570 30,579 44,037 41,157 44,577 28,668 37,483

48,280 71,216

31,511

64,799

32,624

31,761

21,998

21.641

of executives living costs. Alas, for technical reasons, the adjustments take no account of housing costs. The other currencies have been converted to sterling at the rates of September 30. As buying power is what counts, the difference therein between the least and most senior of the four executives may be seen as a gauge of the incentive in each land to get to the top. Much the biggest is in Hong Kong whose division boss has over three times the purchasing power of the junior manager. The smallest is Norway's 75 per cent

In each case, the table gives two sets of figures. The first is typical

gross pay consisting of salaries plus bonuses which are fixed as opposed

to varying with profits or such. The

second figure translates the gross

back the normal family allowances.

The net pay is then turned into

advantage at the top. In the UK the difference is 127 per cent. Michael Dixon

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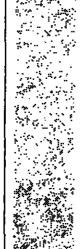
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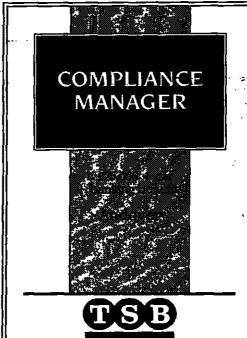
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살되기 보통

week, but it represents a significant milestone for insolvency practice. Mr Colin Bird, partner in charge of the corporate reconstruction and insolvency group at Price Water-house, and one of the court-appointed administrators for Chancery, believes last Thursday marked the first time a

public company has been rescued through administration since the pro-cess was introduced under the 1986 Insolvency Act. He also thinks it is the first time auditors have signed the accounts of a company in administration. In Octo-

ber, Arthur Anderson approved accounts for the year to March 31 1991, although Chancery went into administration on February 18. Price Waterhouse's experiences pro-vide valuable lessons on how administration can work, in one of the first successes since the procedure was introduced under the act. It also high-lights some of the most important

ses in how the law allows the weaknesses in how the law anows the process to operate.
Chancery was founded in 1977 as Chancery Securities by four chartered accountants. It became the first merchant bank to join the Unlisted Securities Market in 1985.

rities Market in 1885.
Aside from the parent bank, there were 23 subsidiaries, specialising in factoring, hire purchase instalment credit, stockbroking and other corporate financial services.

However, its vulnerability to dation, which winds it up and distributes remaining assets to creditors.

changes in the property sector – which grew to nearly two-thirds of its loan book – became clear last December when it made provisions of £3.5m

and unveiled half-year losses of £1.3m. Then on Friday February 15 this year, the shares dropped 6p to 36p and trading was suspended on speculation that it would launch a rights issue to boost liquidity. Instead, it appeared in the High Court the following Monday to request that it be placed in administration.

Colin Bird and Mark Homan of Price Waterhouse were appointed administrators, after presenting a plan to reconstruct Chancery, which they believed had run into liquidity problems. They faced the challenge of saving a group in which the parent bank alone had debts of £130m and a

Companies become insolvent when they do not have sufficient assets to cover their debts, or are unable to pay their debts when they fall due. A number of different procedures may

The creditors may call in insolvency practitioners as "administrative receivers", who aim to recover the debts through sales of businesses or assets within the company. They may also - rarely - vote for a company voluntary arrangement, where the management itself undertakes a restructuring to rescue the

• Shareholders may act, when backed by the creditors, to place the company in creditors' voluntary liqui-dation, which winds it up and dis-

nesses but does not save the com- Alternatively, the court may place the company in compulsory liquidapany. It is not much good for the tion, and appoint an official receiver. shareholders." Since the 1986 act, there has also been a fifth option. The court, usually He cites his experiences with Chan-

cery to illustrate the point. He says he kept receiving approaches from executives offering to buy parts of the com-pany and had to explain diplomati-cally that nothing was for sale.

After it was appointed by the Courts in February, Price Waterhouse put two separate teams into Chan-

put two separate teams into Chancery: one to run the company as inistrators, and the other to put

Receivership may save the individual businesses, but not the whole company. It is not much good for the shareholders.

There do not appear to be any statistics to document the proportion of cases falling into each category. However, a recent estimate by Cork Gully, the insolvency arm of Coopers & Lybrand Deloitte, suggests that 50 per cent of insolvent companies pass into creditors' voluntary liquidations. A further 30 per cent are subject to compulsory liquidation, and 17 per cent enter administrative receivership. Only 2 per cent en into administration There do not appear to be any sta-Only 2 per cent go into administration and 1 per cent to company voluntary

arrangements.

"The problem is that people do not understand administration," says Colin Bird. "It has certainly caused a lot of confusion." He says administration. tion is commonly confused with administrative receivership. Receivership may save the individual busi-

ACCOUNTANCY COLUMN

More than one way to respond to insolvency

as the result of a petition by the com-

pany, can appoint an administrator, with the aim of rescuing and recon-

structing the company. The adminis-

trator then normally has three months to present a formal rescue plan to creditors, at which point they

can vote in favour of a company vol-

untary arrangement.

together a reconstruction plan. That continued once the creditors had voted to approve the plan in May, until their vote last week to accept the restructured business. Now it simply needs formal ratification in the courts in December.

It energyed early on in the admin-

courts in December.

It emerged early on in the administration that Chancery was not just suffering a cash flow crisis. It had net liabilities of £21.9m. By the time the full restructuring plan had been developed for last week's creditors' meeting, it included proposals to appoint two new directors, reschedule £90m debts over five years, and convert the remaining £40m of debt into equity, which shrank the existing shareholdings to just 5 per cent of the shareholdings to just 5 per cent of the total. It had net assets of £18.8m, and

a five-year business plan which did

not require Chancery to take any new deposits during the period.

Bird says the most important lesson of the whole administration was com-munication. Although the 1986 act gives no powers to committees of creditors once administrators are appointed, he formed separate groups of bankers, building societies and local authorities with deposits and

loans to Chancery.

He was then in a position to keep them informed and adopt their suggestions throughout the drafting of the restructuring plans. That allowed him to win their support. "I spent half my life talking to people," he says. "But the final document did not surprise anybody."

All but 2 per cent by value of the

creditors voted in favour of adopting the plan last week.

Overall, Bird is very positive about the potential for using administration to save large insolvent companies. However, Price Waterhouse charged about 23m for the process, a fee which he recognises would make restructuring impossible for smaller businesses. "We need to be able to change the rules for small companies," says Bird.

He would like to see the courts grant a breathing period of a few weeks' protection from creditors, so that a restructuring plan could be drafted without the need for administrators. He has already approached the Department of Trade and Industry, and received what he believes was a sympathetic ministerial ear.

Five years after the idea of admin-istration was introduced, it may well

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Group Financial Controller c.£35,000 + benefits package

The CUC Group is a major player in the UK Cable TV industry, delivering a diverse range of programming to customers in several locations. We are now seeking a Group Financial Controller to be based at our Corporate offices in

Reporting to the Director of Finance, the successful candidate will take responsibility of all group accounting information and analyses within strict deadlines. Managing a small team, the Controller will also have to ensure accounting systems are appropriate and effective for both the Group's internal needs as well as external

Candidates must hold a recognised accountancy qualification as well as having successful management experience at a senior level ideally in a service based organisation. Good hands-on computer skills are a must, particularly a thorough knowledge of Lotus 123. Personal qualities will need to include resilience and enthusiasm to meet the challenge of developing and maturing the business.

To apply please send a CV including your current remuneration

Rosalind Allison-Calvert, Director of Human Resources, CUC Cablevision (UK) Limited, Link 2, Beacontree Plaza, Gillette Way, Reading, Berkshire, RG2 0BS NO AGENCIÉS PLEASE

Senior **Financial** Executive

c £55,000 + Car

This client is a diversified, international industrial Group with a clear strategy, a proven record of success, and a continuing programme of organic and acquisition-

They now wish to appoint a senior financial executive to work as deputy to the Group Financial Controller, with the versatility to cover a wide range of high-profile responsibilities relating to short-term forecasts, budgets, long-term plans and strategies; the review of operating results and short-term financial management; and major project evaluation, acquisitions and capital spending plans. The position is highly interactive with both head office and business senior management. There is a small, well qualified team to manage. Applicants must be chartered accountants with a high-grade first degree, strong

inter-personal skills, and proven success at senior manager level in a top 6 firm, or equivalent senior level experience in a diversified industrial or services group. The personal authority and standards of analysis, management/leadership, and presentation to be of influence at the top level are essentials. PC literacy is also essential. Age guideline early/mid 30s. Location - Western Home Counties. Please write, in confidence, indicating how you meet our clients requirements, to J. D. Vine (Ref. FT/21), Vine Potterton Limited, Wakefield House, 152 Fleet Street, London EC4A 2DH.

> VINE POTTERTON RECRUITMENT ADVERTISING

AUDIT & BUSINESS ADVISORY MANAGER AND SENIORS

<u>MIDLANDS</u>

An Audit & Business Advisory Manager and qualified Audit Seniors are required in our rapidly expending East & West Midlands practices.

The successful Manager will possess: strong technical accounting skills with good knowledge of UK and US GAAP; experience of accountants reporting and investigation skills; managerial and supervisory skills and the ability to imeriace directly with clients on several concurrent engagements, particularly in the textile and manufacturing sectors. A good degree, first time passes at all professional exams, and a proven track record of meeting deadlines with a major international accounting firm are essential characteristics.

The Audit Seniors would need to be outgoing and confident with well oloped interpersonal skills. Main responsi with client and internal staff at all levels.

A competitive remuneration package is offered to those who can respond to the challenge and pressures of our environment.

Please apply in confidence, with a full curriculum vinae indicating your preferred location - Simmingham or Nottingham - to:

Regional Personnel Officer Arthur Andersen & Co 1 Victoria Square

ARTHUR ANDERSEN

ARTHUR ANDRESEN & CO SC

GROUP TREASURY ANALYST

SWITZERLAND

AGE 25 - 30

c£35,000 + OUTSTANDING BENEFITS

This \$2 billion turnover international organisation has recently relocated its worldwide headquarters. The company operates sales, service and logistics operations in nearly thirty different countries and distributes through an additional fifty. It is a recognised leader within its industry.

Working as part of a high calibre treasury team, this position is key to the successful development of the group. The role will require maintaining close working relationships with treasurers and finance

directors of subsidiary companies. Key responsibilities will include:

- close monitoring of cash performance of sales subsidiaries including preparation of monthly cash flow reports and forecasts;
- · cash/operational audit of subsidiary companies with follow up on and assistance with implementation of improvements;
- ad hoc cash related projects for senior management. The successful candidate is likely to have

operational experience. The role commands an outstanding salary at a low marginal rate of tax and a benefits package which will be tailored to suit the successful candidate's demands.

excellent computer skills and ideally some

Interested applicants should telephone Richard Parnell on (44) 71 379 3333 or write to him at Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP (fax (44) 71 915 8714).

ROBERT WALTERS ASSOCIATES

GROUP FINANCE DIRECTOR

London · To £40,000 + car + bonus

B.J.S. Holdings is a private industrial and building services group which has grown profitably through specialising in niche sectors of the building industry. Successful acquisitions have diversified the Group's activities into specialist and high technology areas where quality of service is emphasised. The customer base covers a wide range of blue-chip private and public sector organisations.

The progressive development of a professional management team now requires the appointment of a Group Finance Director, responsible to the Chief Executive. Key responsibilities

- Expansion of business into new areas
- Incorporating further acquisitions into the Group
- Upgrading existing computer

Ideal candidates, male or female, will be aged 35-45 and will have had responsibility for the full span of financial control within a medium sized industrial manufacturing or building company. The excellent remuneration

package includes performance related bonus, executive car and the usual range of senior management benefits. The appointment will be based in

Central London. Please write in confidence, enclosing full career details to Barrie Stevens, Chairman & Chief Executive, B.J.S. Holdings Ltd., Boxley Grange, Lidsing Road, Boxley, Maidstone, Kent ME14 3EL

B.J.S. HOLDINGS

ASSISTANT DIRECTOR OF AUDIT

Central London

Our client is a £1 billion business employing 40,000 people. It is undergoing a fundamental cultural and organisational change and sees attraction and retention of dynamic, motivated management as the key to the achievement of its aims.

This is a new role which will carry responsibility for the financial audit function across the group and will support and influence the company's highest levels of management. The successful applicant will set audit strategies and audit programmes, produce comprehensive reports, monitor results and progress action plans.

We are seeking a high calibre chartered accountant who wishes to be part of a fundamental change process. Candidates should have been responsible for designing

c.£50,000 + car + benefits

and implementing financial control systems and must be able to identify and evaluate the principal areas of financial risk. They should be dynamic team-players. This could be an ideal first appointment into the commercial sector for an ambitious professional who has obtained extensive audit experience in one of the top five accounting firms.

Prospects for career progression are excellent for high

Please reply in confidence, giving concise career, personal and salary details to Kelly Iriondo, quoting

Egor Executive Selection 58 St. James's Street London SW1A 1LD

Ref. L618.

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain · Sweden

-:

Financial Controller

To £45,000 + Car

■ Dart Group PLC is a diversified aviation services, forwarding and distribution group whose subsidiaries operate a substantial fleet of freighter aircraft and temperature controlled distribution vehicles. Despite the tight economic environment, the Group has continued to grow substantially as a profitable and successful organisation with tumover exceeding £30m and now employs some 350 staff.

 Reporting to the Chief Executive, the Financial Controller will be fully responsible for the Group's accounting function ensuring that the tight financial disciplines intrinsic to the successful operation of the business are maintained. To further enhance these, there is a need to up-grade the existing PC systems in the near future.

Candidates, aged 35-45 years, must be

Bournemouth

qualified accountants with good systems implementation, budgeting and cash flow forecasting skills. Essential requirements are the experience of working within a last moving, demanding environment - e.g. distribution or retail, and the aptitude and commitment to perform in a hands-on, proactive and pragmatic manner.

Please send your career and personal details including current remuneration quoting Reference CA 373 to Carrie Andrews at Ernst & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

II ERNST & YOUNG



Central London

■ Our client is the newly acquired UK subsidiary of a quoted U.S. organisation which specialises in providing products and services to the pharmaceutical and biotechnology sectors. As part of its programme of expansion, a new facility has recently been opened in France. Enjoying annual turnover in excess of £3 million, the organisation is at an exciting and critical phase of its development.

■ It is now appropriate to appoint for the first time a Financial Controller. Reporting to the UK Managing Director, you will ensure that the changing business requirements are adequately supported by systems and controls and that financial and management information is appropriate for the strategic support of the business. This is a challenging opportunity to implement new accounting systems (both in the

c.£40,000+Car UK and France), improve management

information and develop group reporting ■ To be considered you will need to be

an innovative, change-oriented qualified accountant who offers a demonstrable record of success in managing a commercial finance function, preferably with parent company reporting. A knowledge of US CAAP would be advantageous.

 Please send your curriculum vitae to Nicolas Mabin, Erist & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EU, quoting reference NM371.

II ERNST & YOUNG

MIDDLESEX

C.£35,000 PA

PLUS CAR



TRUE SCHOOL

Financial Controller

Children's and Educational Publishing **Warwickshire** c.£30.000+benefits

This wholly-owned UK subsidiary of a US-based multi-national is currently generating significant profits on a turnover of £13m. The organisation is now planning a period of substantial further growth based upon the expansion of its direct marketing activities and the development of publishing in the educational and children's market.

 Reporting to the Managing Director and operating as a key member of the senior management team, you will be responsible for all aspects of finance, accounting, management information and company secretarial activities. Assisted by a staff of six, emphasis will focus on the preparation of accurate and timely monthly accounts, budgeting and cash management together with project management accounting.

As a Qualified Accountant, ideally in your early 30's, you will possess relevant experience in managing an accounting function in a commercially and competitively oriented environment. Familiarity with computerised management information systems and company secretarial activities will

be important. Previous exposure within the framework of an international organisation will also be advantageous. A flexible approach and high level of motivation linked with business and commercial awareness will provide you with the opportunity to make a major impact on the future success of the

In addition to a basic salary, the remuneration package will include a profit and performance related bonus, company car and participation in company pension and private health schemes.

 Please send full personal and career details in ordidence to Stephen Bailey, quoting reference 1834B/FT at Ernst & Young Corporate Resources, PO Box 1, 3 Colmore Row, Birmingham 83 208.

II ERNST & YOUNG



FINANCE EXECUTIVE - EUROPE High Profile International Role for Ambitious ACA

Recent organisational developments have resulted in this relatively rare International Finance role becoming available. As part of a truly cosmopolitan team at the European Headquarters for a major division of a Samilit-billion turnover US Global Organisation, the responsibilities of this position will include: of the business and specific areas as identified by Senior Management. In order to both perform and develop the above role you must clearly demonstrate:

The above will account for 50-70% of the incumbent's

responsibilities. In addition there will be a wide variety of ad hoc projects relating to the development

You will also be able to combine a 'hands-on' approach with an overall perspective and an ability to present a smoot, credible presence as this role will involve exposure at the highest levels.

Presidual international experience, with a strong multi-cultural appreciation. US Accounting would also be ideal, but is not essential.

A wide breadth of financial experience including group, consolidations and statutory accounting (prefinable multi-

Experience of some wider tax and treasury issues in an international environment would be ideal.

If you feel that you fit the above profile you should write to Karen D. Wilson, BA, ACMA, Director at FMS, 5 Breunt's Buildings, Chancery Lane, London EC&A 1DY enclosing a recent CV and a note of current salary.

Edge Hill

Head of Finance

A rare opportunity to join the Senior Management of one of Lancashire's most distinguished Higher Education providers

The Head of Finance will be involved in the financial aspects of all the College's decision making and will be responsible for the effective nt, provision and development of all the College's financial services. We see looking for a qualified accountant, ideally with at least five years post-qualification experience. You should be an experienced team player with all the skills needed to make a strategic contribution to

If you can meet our requirements and show us that you have a positive attitude to the management of change, we can offer you

* an attractive salary around £28,000 p.s. * generous leave provision a challenging career move with corporate responsibilities

For further details write or telephone the Personnel Office, Edge Hill College of Higher Education, Ormskirk, Lancashire 1.39 4QP or Telephone 0695 584250 (Personnel DDI) or 24 hour answer service 0695 570478.

An Equal Opportunities Employer

a supportive working environment with on site leisure facilities

INTERNATIONAL TAX MANAGER

BERKSHIRE

With business activities worldwide our client has an enviable profile in its sphere of operations.

Recent strategic acquisitions together with a substantial re-investment programme have built a strong base for further expansion both in the UK and overseas. In order to continue this expansion the Finance Department has recognised the need to recruit an experienced tax professional for the position of International Tax Manager.

Based at the Group's corporate head office

Poland

Turkey

Austria

Bulgaria

Yugoslavia

Romania

the duties of the International Tax Manager will include the following:-

- co-ordinating and analysing the Group's international tax position
- initiating worldwide tax planning policies in line with business and corporate objectives
- providing tax advice on international acquisitions, disposals and reorganisations.

The ideal candidate will currently be working either in the international tax department of a

c£55,000 + CARfirm of chartered accountants or performing a similar role

in a commercial organisation. You will be used to working with a high degree of autonomy and should possess the drive and initiative to undertake projects with substantial tax exposure

To discuss this challenging opportunity further contact Graham King on 071-379 3333 or 071-226 4557 (evenings or weekends) or send a detailed CV to Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP (Fax 071-915 8714).

ROBERT WALTERS ASSOCIATES "

SOUTH EAST THAMES

REGIONAL HEALTH AUTHORITY



DIRECTOR OF FINANCE

A wide ranging, general management role

c.£60.000 + CAR

South East Thames Regional Health Authority is responsible for a population of some 3.6 million people with annual budget revenues of £1.2 billion, comprising 15 District Health Authorities and 5 Family Health

Working closely with other Directors and particularly the General Manager, you will be involved in defining policy and providing strategic leadership on a variety of issues (not just financial) throughout the region, whilst also advising upon, guiding and co-ordinating the allocation of resources at local level.

With significant experience at board and director level within a large and diverse organisation, you will be a qualified accountant with extensive financial, corporate and staff management experience. You should be capable of both comprehending and influencing the process of cultural change within an organisation and also possess an awareness and understanding of the economics of health care provision.

Critical, however, will be both a track record of, and an aptitude for a wider remit than simply your financial discipline. This role has a strong general management thrust and focus, and it is in these kinds of issues where the greatest challenge will arise - testing in particular your skills to inspire, build and maintain effective relationships, as well as being able to negotiate at all levels, not only throughout the region, but also with Government departments and other parts of the NHS.

The scope of this role can and will be varied according to the skills and strengths of the right candidate. Accordingly, it offers significant

If you see yourself as a corporate manager, innovative, able to lead and motivate whilst fundamentally very much a team player - then write in confidence with full CV, quoting reference H/1207. Alternatively contact Hamish Davidson on 071 939 6312 (during office hours) for an informal discussion and/or an information pack.

Executive Selection Division, Price Waterhouse, Management Consultants, Milton Gate, 1 Moor Lane, London EC2Y 9PB. Fax: 071 638 1358.



Finance Managers - Emerging Markets

Coca-Cola is the world's most powerful trademark and has the world's only truly global soft drink production and distribution system. Several exciting opportunities are available for qualified Chartered Accountants or equivalent to

join their dynamic international financial team. Due to rapid expansion in new markets, senior financial positions are becoming available for the

Responsibilities include: local currency accounting, U.S. dollar accounting and reporting, new business planning, establishing and administering controls and information systems, financial planning and analysis.

You will need:

- post-qualification experience, preferably in manufacturing
- local language skills or demonstrated ability to learn languages
- ability to source and train local staff
- Czechoslovakia
 - strong technical, analytical and organisational skills

an enthusiastic, outgoing and diplomatic manner

an international perspective

Future worldwide opportunities are outstanding for achievers.

If you can meet this challenge write in confidence to Fiona Davidson, Nicholson International (recruitment consultants) at Africa House, 64-78 Kingsway, London WC2B 6AH, quoting reference 9302 or call 071 404 5501 for an initial discussion or alternatively fax details on 071 404 8128.



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FINANCE DIRECTOR

Buckinghamshire

This is an unusual appointment in that it offers general management prospects with a broader commercial involvement. The client is a highly successful division of a ple and engaged in the manufacture of flexible packaging products for a wide ranging customer base on a number of sites. Reporting to, and working closely with, the Managing Director, responsibility is for the full range of financial management, reporting and controls with particular emphasis on margin improvement, systems development and commercial management aspects. Aged in their 30's, candidates should be graduate chartered or management accountants with experience at divisional director level in a change oriented manufacturing or process industry environment. The client is forward thinking and expansive, young and dynamic. The salary is supported by an excellent range of executive benefits and the position will appeal to those appreciative of the broader demands of general management. Please forward in absolute confidence a full curriculum vitae to Adderiey Featherstone plc, 6 Lisbon Square, Leeds LS1 4LY. Tel: 0532 444074. Fax: 0532 451578.

ADDERLEY FEATHERSTONE plc

"helping to solve the housing crisis"

DIRECTOR OF **FINANCE**

c£44,000 West London

Our client is a major charitable housing association with over 3000 affordable homes in management. The Association is committed to an ambitious programme of growth requiring an investment of over £30m per annum.

The Director of Finance is a key management position giving direction in financial policy and practice. The future success will depend on solving complex financial problems including risk appraisal and securing long term loans.

You will be a finance professional with keen business skills, be able to make decisions and apply them in a charitable environment.

If you have the right background and are willing to make a strong commitment to the objectives of the Association then this is an opportunity to achieve a high level of job satisfaction.

Send CV by 5 December 1991. For an informal discussion telephone Derek Joseph. HACAS Recruitment, 20/24 Eden Grove, London N7 8ED.

Fax: 071-704 7599.

The Association is an Equal Opportunities Employer

UNADVERTISED VACANCIES? MAKING A CAREER MOVE?

Group Financial Controller

c£50,000 + CarSouth Midlands

Our client is a major international group in the High Technology sector, with a turnover in excess of £7 billion.

The Group Financial Controller will be responsible for board level statutory and financial reporting, investment appraisal, acquisitions and divestments; and have the commercial awareness to make a contribution to management reporting, budgeting and strategic planning.

Applicants must be Chartered Accountants, preferably with recent responsibility for statutory and financial reporting at the centre of a major group. A well organised self-starter is required whose technical expertise is combined with sound managerial skills. Please apply in confidence, quoting reference L495 to:

Brian H. Mason, Mason & Nurse Associates, I Lancaster Place, Strand, London WC2E 7EB. Tel: 071-240 7805.

Mason Selection & Search

Price Waterhouse



EXECUTIVE SELECTION

Business Manager

To become the best of the public sector, we are looking for the best in the private sector

to £52,000 + bonus (to 20%) + car NW London

This pioneering organisation in the public sector is committed to the development of a new and innovative traditionally operated in a protected entrepreneurial culture. To this end they are not only introducing a total quality programme that will provide value for money, efficiency and cost effectiveness in all areas of their work, but also instilling the philosophy

that customers must come first. Reporting to the Director of Contract Services, you will be a key advisor to the major contracting functions of the organisation with budgets of some \$40 million. This is a vital and challenging position as the successful candidate will be expected to nurture a competitive. entrepreneurial spirit, where the emphasis is on a combination of

quality, greater efficiency and profit, within a department that has environment

Ideally a qualified accountant or

MBA with experience of managing at a strategic level within a commercial environment, you will have the knowledge to be able to build commercial business systems, integrating financial and personnel performance. The role requires the experience to prepare, monitor and evaluate budgets and trading accounts. In addition, as well as being an effective negotiator at all levels, you will have to demonstrate an ability to install business systems, monitor, report on, advise and motivate non-financial managers on

commercial issues within their different business environments. Finally, you must possess the capacity to plan and forecast, both strategically and operationally.

Our client understands that to be the best in the public sector, they need to recruit the best from the private. And reward them accordingly. If you believe you're one of the best, please contact Hamish Davidson on 071-939 6312. Alternatively, write in confidence with full CV, quoting reference H/1204/FT to: **Executive Selection Division** Price Waterhouse **Management Consultants** Milton Gate, 1 Moor Lane London EC2Y 9PB Fax: 071-638 1358

Price Waterhouse



EXECUTIVE SELECTION

Senior Business Analyst

c.£40,000 + benefits Birmingham

We are recruiting on behalf of a major, Midlands based Plc, with a turnover approaching £800 million. Their impressive growth record and profitability is based on an uncompromising attitude towards

excellence in serving their customers.

In order to provide a financial control service for the Corporate Financial Controller, encompassing newly acquired and emerging businesses, they now wish to recruit a Senior Business Analyst. The brief will be to form close working relationships with managers of emerging and newly acquired businesses to ensure that

strong financial controls are in place. The Senior Business Analyst will also, in conjunction with the Financial Controller, plan, execute and interpret annual budgets and re-forecasts and monitor capital investment appraisals for all non-core businesses. The ability to assess business risks in newly acquired and emerging businesses is essential.

The position calls for a qualified Chartered or Cost and Management Accountant with experience in financial analysis within a major group. Candidates, who should be articulate and influencing, will

have strong analytical skills and a wish to be involved in a problem solving role, within the group. It is likely that the work will

involve travel away from home. Prospects in the medium term, for both career and personal advancement, are excellent.

Please write quoting reference MCS/8927 enclosing full career details and current salary to: Jim Mitchell

Executive Selection Division Price Waterhouse Management Consultants Livery House, 169 Edmund Street

Birmingham, B3 2JB

LONDON - GLASGOW - LEEDS . NEWCASTLE

Director of Administration & Finance

A young, high profile group in the service sector

West End

c.£50,000 + car & benefits

Our client is a highly regarded group of private companies whose success lies in providing a range of integrated services to an impressive fist of blue chip clients. The company employs 100 staff and operates from headquing the West End with 3 regional offices. The Board now wishes to appoint a senior executive who will take responsibility for all the administrative and financial functions of the Group.

The post holder will have two main areas of responsibility, the most significant being financial, assuming responsibility for the Group accounts, treasury and company secretarial matters. He or she will also play a significant administrative role in taking on the day-to-day general management of the company, making improvements where necessary as well as taking overall charge of the personnel function.

The diverse nature of this position means that it will require an exceptional individual to successfully undertake all the roles. First and foremost we seek a graduate chartered accountant who has worked for some years in the service sector and fully appreciates the importance of marketing and presentation in such an environment. He or she must possess excellent interpersonal skills, organisational ability and the enthusiasm to motivate the entire staff to work as a cohesive teal

As the Group enjoys a young profile it is envisaged that the position would be filled by a person in their 30's. This should not preclude other individuals from applying. Interested candidates should send an up-to-date CV to Anna Ponton, as well as day and home telephone numbers and remuneration details, quoting reference B6998.



KPMG Selection & Search

Finance **Director**

The National Rivers Authority is the strongest integrated protection agency in Europe, improving all aspects of the water environment in England andWales.

The NRA's 7,500 staff operate through the Head Office in Bristol and ten regional offices - providing a range of environmental and scientific services, and coordinating flood defence works. With an annual revenue budget of some £450 million, the Authority requires first rate financial and IT management throughout its operations.

c£55k, Car and

Bristol

: .

Benefits

The Director of Finance, reporting to the Chief Executive, is responsible for financial planning, control and compliance with Government financial requirements within the Authority on a national basis, and will make a major contribution to the general management of the Authority and the introduction of IT therein. Taking functional responsibility for the ten regional finance teams and directly managing the compact headquarters finance team, you will develop financial strategy and processes, agree action plans, targets and performance measures, and develop mechanisms for monitoring policy implementation and effectiveness.

Aged over 35, with a degree/ MBA and professional qualifications, candidates should have established an outstanding track record in a large-scale well-organised company or public undertaking. Your hallmarks will be complete financial/IT credibility, the drive and vision to achieve progress within a strategic framework, and excellent

In return, you will receive a good level of remuneration, have a high visibility management role, and make a strategic contribution to improved river assets. management role, and make a strategic court.
The NRA is an equal opportunities employer.

Candidates should send a comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester, M3 2LF. Tel: 061-839 2000 quoting reference (F.T. 607E).

EXECUTIVE SEARCH AND SELECTION

FINANCE DIRECTOR 3W London

£40.000

AVESCO pic a leading manufacturing and services Company in The Broadcast and Video Communications industry requires a inance Director for one of its major subsidiaries.

he candidate should be a computer literate, commercially astute rofessional able to manage the finance function and make significant contributions to the overall development and success of

Please write enclosing CV to: Mr C Maxwell at AVESCO plc, Venture House, Davis Road, Chessington, Surrey KT9 1TT. Tel: 081-974 1234

Dynamic 100\$M North American Software and orientated Finance Director who will eventually assume the Managing Director role. Avon Based. Remoneration appropriate to the

Quality of Candidate. Please send CV to: Box No A429 Financial Times, One Southwa Bridge, London SE1 9III.

SWISS BUT EUROPEAN MINDED

F,32, F/E/Farsl, post-graduate, LSE, computing, statistics, demography, third world organised seeks position Europe/Switzerland/Oversess/ Please fax: Switzerland ++41/21/6520630

COMPLETE FINANCE TEAM - LIFE ASSURANCE

BRISTOL

SALARY £30-£50,000 + BENEFITS

AGE 28-40

New products, new systems, new management team, new business opportunities...

Our client enjoys the critical mass to achieve their objective of becoming one of the UK's top Life Assurance Companies over the next five years. We are seeking to build a complete finance team to underpin this objective. In total a team of eight (some with Life Assurance experience) is sought initially. Reporting directly to the Financial Director will be at least two senior managers heading the differing accounting functions with substantial, dedicated teams supporting them. The challenge is to create the systems and the infrastructure in the following areas:

FINANCIAL ACCOUNTING (External reporting and financial control)

- General Ledger
- Investment Accounting
- Statutory Reporting (Specific DTI experience)
- Unit Pricing (Processing services)
- Systems Liaison

MANAGEMENT ACCOUNTING (Business Planning and Management Information)

- Strategic and Business Planning
- Financial Reporting
- Performance Monitoring
- Embedded Value Analysis)

Preferably a graduate (or MBA), you will be a qualified accountant with strong interp Preferably a graduate (or MIDAV, you will be a uddition of a programment information and the course some systems. The excitement Assurance Systems or large sophisticated management information and to impart a value access and to impart a value acce ent The excitement lies in the participate in the building of a

Please respond to Adrian Wheale or Tony Modelins 9 Unity Street, College Green; Bristol BST

EALE-THOMAS-HODGINS-PLC

Price Waterhouse



EXECUTIVE SELECTION

Corporate Chief Accountant

c.£45,000 + benefits

Birmingham

We are recruiting on behalf of a major, Midlands based Plc, with a turnover approaching £800 million. Their impressive growth record and profitability is based on an uncompromising attitude towards excellence in serving their customers.

They now wish to recruit a Corporate Chief Accountant, who will play a vital role in providing a full financial and management accounting service to the group, ensuring that accounts are prepared to time and quality. Working closely with the Financial Controller and Financial Director,

the incumbent will be responsible for the development and promutgation to subsidiaries of group financial policy. The small depart ment will also act as a centre of excellence, on technical accounting issues, for subsidiary Company Financial Directors.

The position calls for a graduate Chartered or Certified Accountant, a technically strong problem solver with proven abilities in financial analysis and interpretation. A background in driving systems implementation in a major organisation is essential.

Candidates should be articulate and tough m the determination and flair to succeed in a prestigious and high profile organisation.

Please write quoting reference details and current salary to: Iim Mitchell **Executive Selection Division** Price Waterhouse Management Consultants Livery House

MCS/8928 enclosing full career

169 Edmund Street Birmingham B3 2|B



Turnbull & Asser

Finance Manager (Director Designate)

London SW1

Turnbull & Asser Ltd., a subsidiary of House of Fraser PIC, is widely regarded as the world's premier shirtmaker.

Based in Jermyn Street, the Company is involved in every aspect of the design, manufacture, retail and export of the highest quality shirts, silk ties and accessories. A produced for a prestigious clientele.

The Finance Manager will assume total responsibility for the finance, systems and administration functions of the business. Key immediate requirements will focus on significant improvements to the scope, quality and effectiveness of existing systems, with particular emphasis on performance analysis and management reporting. The successful applicant will be expected to play an

£Excellent + Car + Benefits

increasingly influential tole in the evaluation of business development opportunities and the formulation of medium and long-term strategies.

Candidates should have an excellent grounding in operational financial management, preferably gained in ity retail or service-le degree of self motivation coupled with maturity and well developed interpersonal skills are essential qualities.

Interested applicants should forward a comprehensive CV, quoting ref: 2646 to Alan Dickinson FCMA or Sajid Baloch MBA, Executive Selection Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH (Tel: 071-831 2000).

Michael Page Finance

Specialists in financial recruitment London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Internationally Branded Apparel London c. £70,000 package + options + benefits Finance Director – Europe

First class business manager with finance orientation and strong European credentials sought to join senior management team of \$160m UK Pic with distinctive international image and successful brands. Challenging remit to assist Chief Executive in implementing a growth strategy for the 1990's by driving professional business management techniques across 5100m European business. A highly strategic and commercial role with real opportunity to influence performance and direction of a business in a creative, fast moving environment.

THE QUALIFICATIONS

Highly motivated qualified accou

gether with disciplined Plc reporting experience.

■ Reporting to and working closely with the Chief Executive -Europe, with full accountability for optimising financial management and reporting disciplines across subsidiary companies.

■ Forging closer links with senior operating management. reviewing progress against stated goals, setting and monitoring ■ Prominent, active role linking operations to Group Board.

delivering real added value to the businesses and contributing to London 071-973 0889

Selector Europe

Please reply, enclosing full details to: Selector Europe, Ref F52411 U., 16 Connanght Place, London, W2 2ED

analytical skills gained in blue chip professional environment to-

■ Successful track record in a distribution or brand marketing

■ Commercial and market oriented focus, with maturity and stature

to gain respect across the business. Strong preference for European

ant with applied financial and

Divisional Finance Director

Home Counties

Our client, the Property Division of a major plc, continues to expand profitably its activities in Commercial and Residential Development throughout the UK and Europe.

Growth, in the increasingly complex business environment, has necessitated the appointment of a high calibre Finance Director.

The role demands a "hands on" approach to efficient financial management, encompassing legal, taxation, treasury, accounting and systems development issues. Operating as a key member of the senior management team and responsible for a small, motivated accounts department, the Finance Director must

c£50,000 + Bonus + Car

make a positive contribution to the controlled growth and profitability of the Division. Technically excellent, probably aged 35-45, commercially aware and able to communicate effectively through a Group structure, candidates must be qualified accountants with previous experience of the property development sector. If this position is of interest, please forward a detailed curriculum vitae, quoting ref 1101 to Diane Forrester ACA,

Executive Selection Division, Michael Page Finance, Page House, 39-41 Parker Street. London WC2B 5LH.

Michael Page Finance

Specialists in financial recruitment London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Finance Director

Manchester 061-941 3818

Our client is a medium sized pic with a turnover in the region of \$12-15 million per annum in the engineering sector.

A Finance Director is required to assist with both the existing business and to diversity into new areas. Candidates must be qualified accountants and able to show a mature and experienced background - not necessarily in engineering. An above average remuneration package will be negotiated.

Applications should be sent in confidence to Box No.A1690 Financial Times, 1 Southwark Bridge, London SE1 9HL

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North Wales

The top treasury position in a dynamic and successful large quoted plc. A high profile role offering rapid career development prospects.

THE GROUP

The UK's leading discount grocery retailer with 750.

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Ambitious expansion plans for the 1990's. THE POSITION

New position with overall responsibility for the whole range of treasury activities

Focus on cash and liquidity management, foreign exchange, bank relations, financing and systems Member of Treasury Committee, contributing to all aspects of treasury strategy; first rate career advancement opportunities.

QUALIFICATIONS

Graduate, preferably qualified Accountant or ACT (Dip), with at least 3 years' experience of treasury within a large corporate environment.

Strong cash management skills; systems experience; analytical mind; eye for detail; age 27-40. Drive and enthusiasm; results-oriented; self motivating;

shirt-sleeves approach. Please write, enclosing full cv, Ref MK4781

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Taxation Accountant

For. Turnover. Nestlé Holdings (U.K.) PLC.

£1.5bn+. U.K. HQ in Croydon, Surrey.

Location:

Largely compliance but with other work.

Job:

Small team.

Qualification:

Preferably, ACA with substantial (some years) compliance experience in industry/commerce.

Remuneration:

Full market rate salary and benefits

(including car).

Reporting to:

Group Taxation Manager.

CV to:

Mrs Jenny Forsyth, Nestlé Holdings (U.K.) PLC St George's House, Croydon, Surrey CR9 1NR. (Please include full salary details).

Or for further information telephone

081-667 5339.

GROUP FINANCIAL CONTROLLER

Warwickshire

c£37,500 + car

This medium sized publicly quoted British Group has diverse interests in the UK and North America. The Head Office is located in attractive countryside, where its strategy is formed and implemented.

The position reports to the Group Financial Director and is a vital link with the subsidiaries. The main thrust of the duties is in monitoring the businesses, requiring involvement with every unit's operating management, and regular reporting to the Board. Additionally, the successful candidate will contribute to strategic decision evaluations and to the ongoing development of information systems.

Candidates, probably aged 27-35 years, should have a degree and be qualified Chartered Accountants, with commercial or industrial experience. High level interpersonal skills and natural authority are needed. Benefits and prospects are first class.

Please write in confidence, enclosing detailed CV, and quoting referenceFT/ID to Fox Valentine Limited, 25 Bedford Row, London WC1R 4HE, Fax 071 831 3127.

Management and Computer Audit Competitive Packages Burton upon Trent

The Group Internal Audit function is ideally placed to have a major input on the controls and procedures of the Group as a whole and we are now looking to strengthen our team with the following appointments:-

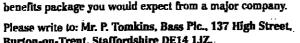
MANAGEMENT AUDITORS £20 - 25K + Car You will be involved in a broad range of reviews and audits covering operational controls at several levels of management, including executive controls.

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Both positions require you to make practical recommendations for improving the efficiency and profitability of the Company as well as expressing an opinion

on the adequacy of its controls. The positions would suit qualified accountants with two years PQE in public practice, or computer audit respectively. Considerable commercial awareness

and excellent communication skills are required. Both opportunities offer a significant amount of U.K. and International travel. Competitive salaries are supported by a





FINANCIAL CONTROLLER

C. London

£40,000 + Benefits



Having clearly established itself as a pre-eminent organisation within the consulting services sector, this international group is poised to further compound on its achievements to date.

As part of the senior management team, you will take responsibility for an established finance department engaged in the production of monthly financial and management information and will assess the current systems and methodologies in place with a view to improving efficiency, controls and contributing to the development of the London operation.

You will spearhead a number of ad-hoc projects designed to improve profitability and cost effectiveness and will liaise with professionals of the highest calibre on a worldwide basis.

You will be a qualified accountant with at least three years commercial experience gained within a service industry at management level. Other vital attributes will include the ability to manage and motivate staff combined with first class presentation skills, tact, diplomacy and a highly analytical mind.

Interested candidates should contact Michael Herst on 071-629 4463 (daytime), 081-502 1247 (eves) or write to him enclosing a full CV quoting MH345.

HARRISON # WILLIS

EXECUTIVE SEARCH & SELECTION 39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463 LONDON · READING · GUILDFORD · ST ALBANS · BRISTOL

Finance Director

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Outstanding opportunity for talented finance professional to take broad commercial role and complement successful management team in the ongoing development of the business. Highly profitable £25m turnover subsidiary of well respected UK plc operating in an International

THE ROLE

Complete responsibility for Finance and Data Processing functions. Motivate, lead and develop teams • Total involvement in commercial and strategic decision making process. Support Managing Director in developing the business both organically and through acquisition • Develop and refine existing Management Information Systems. Improve Financial Modelling and Forecasting to enhance profitability.

THE QUALIFICATIONS

Qualified Accountant. Aged 35-40. Strong commercial acumen with a practical approach to problem solving . Desire to be involved in all aspects of the business. Ability to communicate at all levels of general and financial management • Previous experience of successful systems implementation in a manufacturing environment. Strong grasp of financial management in a positively managed company.

Please reply in writing to Townsend House, 30 Monkgate, York YO3 7PF enclosing a full curriculum vitae and quoting Reference RBH 1002. Telephone: 0904 670648 Facsimile: 0904 611079



FINANCE DIRECTOR

SW London

Our client is an expanding subsidiary of a quoted British Pic which has grown consistently over the last five years. A leading specialist services company with a £35 million turnover, this subsidiary seeks a strong, highly ercial Finance Director.

Working closely with the Managing Director, the Finance Director will have responsibility for the entire finance function, with particular emphasis on monitoring and influencing the progress, profitability and direction of existing business areas. As the company continues its rapid growth, the acquisition and integration of other

Anthority and maturity are essential attributes for this role, as is the ability to negotiate and influence at senior levels. Applicants, aged 33-45, must be qualified accountants with significant experience in a service or contract based industry. The company offers excellent benefits and the opportunity for further career development. Interested applicants should send or fax a copy of their cv with details of their current salary package



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Recruit, motivate and develop a team of high quality accounts staff

Manage installation of accounting systems and controls

 Develop, set-up and maintain effective policies and procedures

Provide accurate, up to the minute performance reports and forecasts Prepare and present business plans and

The ideal candidate will be a qualified/part qualified accountant who can demonstrate success as a finance manager/controller with experience in the computerisation of accounting systems. A "handson" team oriented and pragmatic approach is essential as are excellent communication/interpersonal skills.



If you are interested in this unique opportunity then please write enclosing your CV to James Pope, Personnel Manager at: Woking Turnstyle Ltd, 40-42 King Street, :London, WC2 8JS Closing date for applications: Friday 29th November 1991

CHIEF FINANCIAL OFFICER-ROMANIA Description of Position: Responsible for design and implementation of financial

reporting systems for tranchise operation of major international food and beverage com-

pany. Requirements: Demonstrated ability in developing financial reporting systems; working knowledge of U.S. GAAP accounting principles; accounting experience in manufacturing/distribution operations; ability to work in complex business environment, preferably in international arena, high level of energy. Languages: English, required; Romentan or French, a plus.

Comparisation includes fringe benefits with potential equity participation incentives. Please send resume, salary history and requirements to

Personnel Manager, 127 East 73rd Street, New York, 10021 or fox to 212 439 9450.

EXCITING AND PRESTIGIOUS ACCOUNTANCY CAREER POSITIONS

U.A.E. BASED

EXCELLENT REMUNERATION PACKAGE

Our client is a major Office in the U.A.E. Due to recent expansion, the Office is now seeking to employ top qualified professionals and advisors to fill the following prestigious positions.

HEAD OF INTERNAL AUDIT

The appointment of Internal Auditor is designed to enhance existing internal control measures. The main duties of the Internal Auditor will be to control and develop audit procedures and to contribute to the improvement of financial control, reporting and operational procedures within the Office. The position reports directly to the General Manager.

CHIEF ACCOUNTANT

The Chief Accountant will be responsible for managing the Accounting Division and for providing advice on all accounting matters, ensuring compliance with Government Rules and Regulations and generally accepted accounting principles. The successful candidate will be expected to contribute to the development and implementation of computerised accounting systems.

The ideal applicant for the above two positions will be a qualified accountant (ACA, CPA) with extensive experience in accounting, auditing and computers. He should have at least three years practical management experience in a computerised accounting environment. He must be a mature bilingual (Arabic/English) individual aged 30-40 and possess excellent management and communication skills combined with European and or North American education and experience.

An attractive tax free salary will be paid plus free accommodation, annual return airfare on leave and other associated benefits.

Interested candidates should forward their CV together with recent photo before 15 December 1991 to:

> Ernst & Young Executive Recruitment Division P O Box 136, Abu Dhabi, United Arab Emirates

Fax No. 342968 Attention: Mr Sami Ali

FINANCIAL CONTROLLER Fast-moving Computer Company

Package c£50,000 + Car

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generation Unix workstations - a market currently growing at 50% per annum. With a blue chip and international financial institution client base, their outstanding profits, balance sheet and growth record are backed by quality management and a continuing commitment to customer service and technical Reporting to the MD, the Financial Controller will influence the strategy and development of the business as well as managing all aspects of finance,

accounting and controls within the company. Appointment to the Board is anticipated in due course. For this demanding and challenging opportunity the successful candidate, a graduate chartered accountant (27-33 years), must possess high levels of commercial judgement and strategic vision as well as technical, management and

Our client has become a dominant force in the marketing and sale of the new

communication skills - preferably gained in a sales If you feel you have the qualities to succeed, contact John Bowman on 071-387 5400 (out of hours on

FINANCIAL SELECTION SERVICES

DRAYTON HOUSE, GORDON STREET, LONDON WC1H OAN. TEL: 071-387 5400, FAX: 071-388 0857

0474-874473) or write to him quoting reference

Burton-on-Trent. Staffordshire DE14 1JZ.

GROUP ACCOUNTING

Central London

£26-30,000

+ finance sector benefits

Our client is one of the most prestigious financial groups in the country with substantial UK and overseas interests.

This is an exceptional opportunity for a Chartered or Certified Accountant who has qualified within the last two years and who wishes to enhance their strong financial accounting skills. It is a high profile head office role providing extensive experience, insight into all the group's activities and excellent scope for career progression.

Working as part of a small and highly professional team, varied and stimulating tasks will include the preparation and initial analysis of the management and statutory accounts, regulatory reports and cashflow of the group and one of its principal subsidiaries.

Salary will be negotiable according to age and experience.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/8/F.

Steep Learning Curve!

Two Qualified ACA's

c £28K + Bensincluding car

Our client is one of the world's leading global financial institutions. On their behalf we are searching for two graduate Chartered Accountants who, together with current technical skills, possess the interpersonal abilities and determination required to succeed in a thriving

The Applicant: In addition to a formal ACA qualification you must be fmancial services environment. able to demonstrate good communication skills. Probably aged 24/28 years (younger if you have specific financial services experience) you will currently be working in a large professional firm at Senari A.M. level or

The Role: Consisting of a small team of professionals the Audit Department has the responsibility for ensuring that operational and financial controls are met within the European and Far Eastern areas. Participation in other projects and assignments is also likely. Based in the City the post will involve 30% travel, mainly in the Far East and Europe. Exposure to and dealing with senior management will be importual aspects of the position.

It is emphasised that the successful candidate will receive a very thorough induction into the financial services sector with particular emphasis on Life Assurance and Securities in which industries prior audit experience will be a distinct advantage. The experience gamed and the exposure to senior management will ensure the best possible conversion from a career in Public Practice to a career in the City.

In order to arrange an interview to discuss this especially attractive career tole please contact Chris French at the address below or call him outside office hours on 081-398 7640.

the leet partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 071-831 1101 (24 hours). Fax: 071-831 4204.



Guardian Foundations Plc is a leading national engineering contractor specialising in underpinning and piling. Our turnover is over £10 million p.a. and continued success in increasing our market-share has enabled us to engage in a programme of profitfunded growth and controlled diversification.

Guardian

Audit Manager

European Banking

£ Neg + Car + Benefits

In today's highly competitive global banking market a combination of sound management

principles and innovative business strategies has afforded our client an enviable reputation

Naturally, their management team comprises equally exceptional individuals – formidable technicians and creative thinkers amongst whom a new Audit Manager must feel at home. We're after a Chartered Accountant whose big 6 experience within banking audit includes specific emphasis on Capital Markets Products. Skilled in risk analysis assessment,

You will find a second language - preferably French or Italian - most useful. Computer literacy and a grounding in data processing audit and SFA compliance would also count in

Prove to us that you are the right person and you will find yourself commanding ar

impressive salary and benefits package and looking forward to some exceptional UK or

overseas career prospects within a bank that is moving inexorably towards on excellent future.

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SEARCH & SELECTION · RECRUITMENT ADVERTISING

Financial Accountant

North London

c £25k plus car

with scope for further progress

Our client, a £100 million turnover business, is part of a major international

This position, which has arisen due to internal promotion, takes responsibility for financial accounting and reporting, taxation and the systems required to support

Candidates should be ACA qualified with at least two to three years experience

working in a commercial environment. A background in systems development and

Scope for development is planned and you should be able to demonstrate

sufficient professionalism in the role to progress smoothly to Chief Accountant within

In the first instance please send a full C.V. to Mike Swaine, Otteridge &

Company, Griffin House, 161 Hammersmith Road, London W6 8BS, Please state

clearly any companies to whom your reply should not be forwarded as applications will be sent direct to our client for consideration.

group with an impressive record of growth in highly competitive markets. Further

expansion of the UK business is envisaged throughout the 90's.

the Finance function. You will report to the Finance Director.

auditing would be advantageous.

one year.

you must demonstrate a pro-active approach and a real flair for communication.

Please submit a detailed CV, indicating current salary and quoting reference number C500, to Clive Sexton, at Juniper Woolf Nucleus Consulting Partnership,

especially in Europe as a reference bank in niche markets.

Gemini House, 180 Bermondsey Street, London SE1 3TQ.

FINANCE DIRECTOR DESIGNATE

West Sussex Esubstantial package+profit-share+car

Reporting to the directors, the Finance Director will be responsible for all aspects of financial planning, management accounting and financial control across a group of candidate will play a leading role in the company's relationships with banks, financial institutions and professional advisors.

Applicants are invited from qualified accountants, probably in their early 30's to mid-40's and ideally with a building/civil angineering industry background, who have:

- experience of computer-based systems
 experience of cost-accounting and control
 personal energy and the adaptability to
- contribute to the continuing growth of

Individuals currently earning less than \$235,000 p.a. are unlikely to have the necessary experience.

To apply, please write under confidential cover enclosing a full c.v. and current nuneration details to:

Guardian Foundations Pic. Nicosia House, 30 Cyprus Road, Burgess Hill, West Sussex RH15 8DX.

BRISTOL - BURGESS HILL - CAMBRIDGE - CHINGFORD - CROYDON - HUDDERSFIELD - LONDON - MANCHESTER

Bernard Thorpe

PROPERTY MANAGEMENT ACCOUNTANT/ADMINISTRATOR

Our Management Department is responsible, on Denait or titutional and property company clients for the managem of over 500 properties, including major office buildings, over 4 million sq. ft. of industrial/business parks and 45 shopping centres.

Bernard Thorpe seek to appoint a Property Management Accountant and Administrator to direct a staff of 15 to support the expansion of Client business and to control the enhancement of our property network systems.

The applicant will preferably be qualified and must have a minimum of 5 years relevant property management accounting experience. Computer literacy is essential together with the ability to demonstrate clear management and administration skills.

Salary £30,000 - £35,000 plus Car.

Reply in confidence to P S Harding, &Sc., ARICS with a full C.V. and existing salary, at the address below.

15 Wilton Road, London SW1V 1LT

FINANCIAL CONTROLLER

Our client, based in North London, is one of the leading UK Spo outstanding growth record.

They now require a Pinencial Controller to based a small leats and to work closely in developing and controlling the flow of financial and commercial information to the main Board. Duttes will include the key small of preparation of francycerent information, including budget proparation and monitoring as well as treasury and cash mantagement.

---- PACKAGE NEGOTIABLE ---

equi per state etairquique en avant uny leel uny l se enclosing a current curriculum vitae to:

Bank inspector (Ref. 1068)

INTERNATIONAL BANKING GROUP offers opportunities for suitable candidates to fill the following positions in its

Internal auditor (Ref. 106

WEST AFRICAN operations: BANK INSPECTOR for the internal audit of 17 French and

English speaking subsidiaries.

Based in Europe and reporting to the regional management, the candidate will carry out numerous supervisory and audit

missions, as a member of the audit team.

Around 35 years, preferably with a recognised accounting qualification and 5/10 years banking audit experience. He/she will be a sound professional in accounting and credit audit. English being his/her mother tongue, he/she will also be fluent in French. As the position requiers frequent missions, the suitable candidate will have to be free to travel.

INTERNAL AUDITOR (contrôleur général) for one of its African subsidiaries with 600 people and a balance sheet of 2 billion French Francs.

Reporting directy to the General Manager and leading a team of 22 people, the candidate will have the following

audit of financial exposures, - establishment of control and

security procedures, - accounting control etc. (monitoring of the accounting function, etc.)

Aged about 40, with an excellent educational background, he/she will have at least 10 years experience in the banking sector. His/her previous functions will have included the technical supervision of professional staff as well as the development and optimisation of the management tools

necessary for this function. The working languages will be English and/or French. The position has expatriate status.

These positions both offer career advancement opportunities in the context of a truly international working environment. Interested candidates should address their applications (handwritten letter + C.V. + salary requirement) quoting the appropriate reference, to our Consultants: ORBE - 41, av. George V 75008 PARIS - FRANCE, who guarantee total confidentiality.

SPI Pharmaceuticals, Inc., a rapidly growing \$400 million subsidiary of ICN Pharmaceuticals, Inc., is seeking a Vice President - Controllar for its worldwide operations. The position reports to the Sentor Vice President of Finance (CFO) and is based in Southern California. Candidate must have:

Vice President - Controller

Worldwide

An undergraduate degree in accounting/finance with an MBA in accounting/finance preferred. 10 to 15 years financial experience with some occurring in a

big '6" CPA firm.

Extensive international experience with a manufacturing organization in an operational controllers role.

Experience in a Fortune 500 organization as well as an entrepreneurial, smaller company. The Vice President - Controller will plan and execute financial programs, evaluate and report on the financial results of operations and

recommend action(s) to be taken, assure adherence to the Con-troller's Manual; formulate and recommend financial policies, and

ICN's compensation package includes extensive medical benefits, 401 K Plan, attractive base salary, management bonus and stock options. Please submit resume to:

Vice President of Human Resources ICN PHARMACEUTICALS, INC. 3300 Hyfand Ave., Costa Mesa, CA 92626 Fax (714) 668-3900



Financial Controller

Stockport, Cheshire

c.\$40,000 package plus car, benefits

One of the world's leading branded sportswear companies, the adidas name is synonymous with sporting excellence, technical innovation and product quality, adidas is the choice of top professionals and sports enthusiasts; they are the official kit suppliers to the 1992 British Olympic team, as well as to Arsenal, Liverpool and Manchester United football clubs.

With turnover in excess of £120m (worldwide £1.5bn), and relocation to prestigions new offices and modern distribution centre in 1992, adidas (UK) is striving - after a period of profitable consolidation - to grow its market share substantially. This new appointment, following internal promotion, is seen as part of an important process of esplation in its manufacture of the state of the second state of the of evolution in its management culture to achieve this goal.

- E Provide atrong leadership to the finance function through a period of dynamic change and commercial spearhead the introduction of challenge in the business.

 Establish comprehensive cost control

 Support Finance Director in strategic
- procedures and practices. and tactical business planning.

The Requirement

 Outstanding qualified professional;
 Highly communicative; effective team leader and motivator. Broad experience within dynamic. Strong product empathy; energetic and competitive personality.

SELECTION

Chief Accountant

C. £28,000 + BENEFITS

Regional Railways is one of BR's three passenger businesses, with a turnover of over £800 million and an asset base in excess of £1700 million, including half of the country's track mileage, 1500 stations and 2000 vehicles. The South Wales and West Profit Centre is based in Swindon, employing 3800 staff and with a turnover this year of over

We are now looking for a Chief Accountant to assume responsibility for all financial records throughout the Profit Centre, as well as management reporting and forecasting at local, Profit Centre and Regional Railways Business HQ levels. The position reports to the Financial Controller and has a complement of 48 staff comprising an HQ team and 6 outbased Finance teams.

Candidates should be qualified CIMA/CACA with several years' PQE which should include large company experience, broad financial and management accounting experience, and proven man-management

The salary is negotiable around £28,000 and benefits include valuable travel concessions, BUPA and a contributory pension scheme. There are excellent opportunities for advancement within either Regional Railways or the other British Rail businesses.

To apply, please write, with full career details, to: Financial Controller, Regional Railways (South Wales & West), Western House (CP32), 1 Holbrook Way, Swindon SN1 1BY.

British Rail - working towards equal opportunities.

REGIONAL^{*} **RAILWAYS**

Financial Director

North Of England, c £30,000, Bonus, Car,

Internal promotion has created this requirement for a commercially astute accountant with a strong manufacturing background. strong manufacturing background.
The company is a £15m turnover specialist division within a substantial UK Group, now seeking to appoint a capable professional to manage the total finance function and make a significant. significant contribution to the further

significant contribution to the further development of the business.

Reporting to the Managing Director, your remit will be to maximise profit and cashflow, through the control of management accounting management information, budgets, forecasts, performance reviews and financial accounting you will also play a key role in the implementation of new computer systems.

The person appointed is likely to be a graduate and a qualified CIMA, between 35 to 45, who can demonstrate first-class technical, interpersonal and communication skills, as interpersonal and communication skills, as well as sound computer literacy.

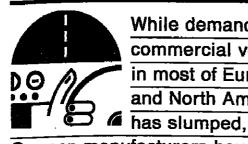
Male or female candidates should submit in Confidence a comprehensive c.v. to, M.A. Grad.
Hoggett Bowers plc, George V Place, 4 Thames
Avenue, WINDSOR, SLA 10P, 0753-850851 Fax: 0753-853339, quoting Rel. W29001/FT.

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SECTION III

Friday November 22 1991



While demand for commercial vehicles in most of Europe and North America

German manufacturers have enjoyed a buoyant domestic market. Kevin Done traces the

fortunes of truck makers and looks ahead to an improvement in 1993

Truck sales at braking point

COMMERCIAL vehicle makers, of the single market from the and in particular the truck producers, are enduring harsh challenges with sales continu-ing to fall in North America and in many western European

markets.
Sales and production have also declined for two years in Japan in 1989-90, though less dramatically. Only strong demand for four-wheel-drive sports/utility vehicles has pro-duced a small overall growth in Japanese commercial vehicle output and sales this year, with most market segments still in modest decline.
In Europe only Germany has
brightened a bleak picture with strong growth, fuelled by the process of reunification, compensating for declines elsewhere. This pattern is expected to reverse in 1992, however, as a modest recovery begins in much of Europe, but German

sales weaken.
In North America and in western Europe some leading truck makers continue to accumulate heavy losses under the impact of falling sales, and the renewed pressures on margins are likely to lead to further

restructuring.
In western Europe truck de-regulation of the road haulimpact on demand. Western European truck

makers continue to dominate the world heavy truck industry and are looking to take advan-tage of new opportunities in eastern Europe and Asia. In light commercial vehicles the Japanese makers are most actively expanding worldwide.
The unprecedented imbal-

ance in demand across Europe in the past two years is having a fundamental impact on the fortunes of individual truck makers. The German producers MAN and Mercedes-Benz, buoyed up by the strength of the German market, have enjoyed bulging domestic order books, while producers most exposed to the woes of the UK market, such as DAF of the Netherlands and ERF, the last independent, publicly-quoted UK truck maker, have plunged into loss and have been forced to scale back production and

The contrast in the recent fortunes of DAF and MAN, the two medium-sized European commercial vehicle makers, reflects most starkly the divergence in demand across Europe. DAF, which merged with the Leyland truck and van operations in 1987, derives

cut workforces.

nearly a third of its turnover from the UK, which is the most depressed of the big European markets. UK truck sales have more than halved in the past two years.

The company plunged into a net loss of Fi 179.1m (\$96.7m) in the first six months of this year from a loss of Fl 32.1m in the corresponding period a year ago and has been forced to raise new capital to bolster its deteriorating finances. Production has been cut back drastically to reduce bloated stocks, and the workforce has been cut by around 12 per cent in less than two years.

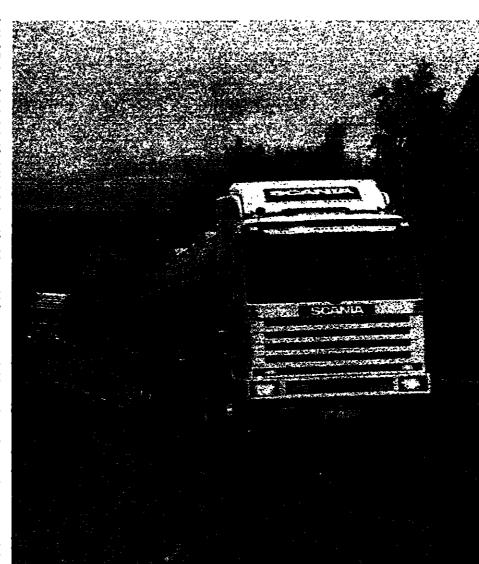
Its fortunes have changed with alarming speed reflecting the volatility of the European truck market. DAF's losses for the whole of last year totalled Fl 227.6m, including restructur-ing costs of Fl 78m, and it failed to pay a dividend, after

achieving a record net profit of F1 172m a year earlier.

By contrast, MAN Nutzfahrzeuge of Germany, which is dependent on the German mar-ket, has achieved a record financial performance. Helped by the acquisition of the Steyr truck operations in Austria, its turnover in the year to the end of June jumped by 33.5 per cent to DM7.39bn (\$4.56bn), the value of new orders booked in the year jumped by 52.8 per cent to DM9.05bn - domestic orders alone increased by DM2.4bn or nearly 70 per cent and after-tax profits rose by
 per cent to DM196.6m.
 The workforce of MAN Nutz-

fahrzeuge, the commercial vehicles subsidiary of MAN, vehicles subsidiary of MAN, the German engineering group, rose in the last financial year by 4,467 (including 2,700 Steyr employees) and vehicle production rose by 11 per cent to 38,200 against the background of a western European truck market (above six tonnes) that declined by 8 per cent to declined by 8 per cent to

Risewhere in the European industry Renault Véhicules Industriels (RVI), the commer-cial vehicles subsidiary of Renault, the French state-owned car-maker, has reported a col-lapse in profits for the first half of 1991 to FFr28m (\$5.02m) from FFr517m in the same period last year. Sales fell by 14 per cent to FFr13.8bn from FFr16.1bn. RVPs performance is being undermined by the



Uphili struggle: the past two years have been hard going for the world's truck makers

woes of Mack_Trucks, its US subsidiary. The European truck industry has expanded strongly in North America in the last decade through takeovers by Mercedes-Benz (Freightliner), Volvo (White and General Motor's heavy truck operations) and Renault (Mack), but at the moment the acquisitions are yielding little but red ink.

but red ink.

RVI's immediate problems
are overwhelming any medium-term benefits that may be
derived from its strategic alli-

ance with Volvo of Sweden. However, the partnership could yet have a profound impact on the world heavy truck industry by the second half of the 1990s.

Italy's Iveco, the commercial vehicles subsidiary of Fiat, also at the forefront of the restructuring wave through its take-over of the loss-making Spanish Pegaso (Enasa) truck operations, is also financially on the ropes. Its net profit slumped to only Fl 23m in 1990 from Fl 590.9m a year earlier

(Iveco is registered in the Netherlands), and its sales have fallen further this year. Mr Sten Langenius, president and chief executive officer of Volvo Truck, warned recently that the "outlook for the truck industry is very dark, if we continue in the

same old tracks as in the

1980s* The industry in North America was "totally out of bal-ance", he claimed. "In the latest business cycle, no one in the industry has been able to

make enough profits. Today no one makes a profit. That goes for manufacturers, the components industry, most vendors and dealers."

There were still too many truck makers in combination with independent components manufacturers. Neither the integrated truck makers nor the drive-line (engines, transmissions and axles) components' makers could today safely fund a complete product and components line within the present uncompeti tive structure. Now the fight is to survive".

Each US truck maker has maintained overcapacity. Sales in North America have averaged 120,000 heavy trucks a year during the past decade, while the industry's average annual capacity was 190,000. Capacity utilisation in the North American heavy truck industry this year has been about 55 per cent, said Mr Lan-

In the past decade European heavy truck makers have expanded their already strong grip on the industry in the western world controlling 61 per cent of the sector by 1990 compared with 51 per cent in 1980. North American ownership has contracted from 34 to 17 per cent in the same period, while Japanese ownership has grown from 15 to 22 per cent. European producers now control 40 per cent of the North American heavy truck sector, but Mr Langenius claims the industry is still "very unsound", in spite of a reduction in the number of heavy truck makers from 12 to six in

the past 15 years. "The industry cannot secure funds for product development from sales in North America. Development cycles drag out. When development for envi-ronmental and safety legislation has been paid for there is

simply no money left."

Product development costs at Volvo Truck, which is now linked with RVI through 45 per cent cross-shareholdings, have increased four times in the past 10 years. "In the future truck industry," said Mr Lan-genius, "we will see the forma-tion of consortia and ad hoc partnerships that will fund the development of complex components as has been the case in the aerospace industry."



■ EUROPE: Germany cushions the fall in sales of vans and trucks EUNITED KINGDOM: Hopes for a modest recov-

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IN THE past two years the UK new commercial vehicles market has suffered the steepest slide into recession in the postwar period. Truck sales have fallen to a level not experienced since the early 1950s.

October was the 25th month in succession that commercial vehicle sales have shown a monthly year-on-year decline. The UK, the biggest truck market in Europe at the end of the 1980s, has fallen back to third place behind Germany and

Overall, new commercial vehicle registrations, a significant barometer of economic activity, still show little sign that the recession is easing. although truck makers believe that the recession in their sector has begun to bottom out. UK new commercial vehicle sales fell heavily in October by

20.322 in October 1990, according to figures released by the Society of Motor Manufactur-

In the first 10 months new commercial vehicle sales at 183,919 were 29.4 per cent lower than in the same period in 1990. Over the past two years new commercial vehicle sales have fallen by 43.6 per cent from 326,206 in the first 10 months of 1989.

Hitherto the truck sector has been hardest hit. In the past two years UK new truck sales (above 3.5 tonnes gross vehicle weight) have more than halved with a drop of 54.9 per cent to 27,705 in the first 10 months of 1991 from 61,391 in the corresponding period of 1989.

The rate of decline in truck sales did show signs of moderating in October, but truck Kevin Done on the UK recession from the UK, has also suffered

Hopes for a modest recovery

makers still remain cautious months of 1992. While the rate about the sector's prospects to the end of the year and in the first half of 1992.

Sales of trucks (above 3.5 tonnes gross vehicle weight) fell by 4.9 per cent in October to 3,080 from 3,240 a year ear-lier, compared with a fall in the first 10 months of the year of 35.3 per cent to 27,705. Sales of heavy trucks (above

15 tonnes gross vehicle weight) in October were 9.1 per cent lower than a year ago, com-pared with a fall in the first 10 months of 37.7 per cent.

According to the Iveco group, the UK truck market which now includes Seddon Atkinson the specialist heavy truck maker, overall truck sales (above 3.5 tonnes) are expected to total around 32,000 this year compared with 48,545 in 1990 and 69,234 in 1989. That would be the lowest level of truck sales since 1954. The severity of the slide into

recession can be judged from the fact that new truck sales in 1989 were the highest for a decade and were the second highest of the nost-war period iveco forecasts the beginning of a gradual recovery next year to a total truck market of 35,000-41,000, but with great

uncertainty remaining about

prospects in the first six

ated in October, demand for vans remained depressed with sales of small vans (up to 1.8 tonnes) showing a year-on-year decline of 34.3 per cent, while sales of medium vans (from 1.81 to 3.5 tonnes) declined by 35 per cent.

In the first 10 months of the year small van sales at 58,031 were 31.9 per cent lower than in the corresponding period a year ago, while medium van registrations have fallen by 27.9 per cent to 81,361. The scale of the recession

has caused widespread job losses in the industry and most truck makers in the UK have fallen heavily into loss. ERF, the last remaining

independent, publicly-quoted UK truck maker, plunged into a pre-tax loss of £4.47m in the 12 months to the end of March, from a pre-tax profit of £3.27m in 1989/90 and £7.84m in 1988/ 89. It entered the recession with a strong balance sheet, however, and moved quickly to cut production and to red its workforce in line with the collapse in demand.

DAF of the Netherlands, which merged with the Ley-land truck and van operations in 1987 and which derives around a third of its turnover

mounting losses - a net loss of F1 179.1m (\$96.8m) in the first half of 1991 and a loss of Fl 227.6m in the whole of 1990. In spite of the depth of the recession the unusually high

number - by comparison with the rest of western Europe of truck assembly plant operations in the UK remains unchanged with DAF, Iveco Ford, ERF, AWD, Renault, Volvo, Seddon Atkinson (now a subsidiary of Iveco, the commercial vehicles operation of Fiat of Italy) and Foden (a subsidiary of Paccar of the US) still present. The recession has not yet claimed any victims, but export and military con-

tracts have played an impor-

tant role in supporting several of the manufacturers.

DAF has closed the gap behind Iveco in the UK truck market, and is vying for mar-ket leadership. In the first 10 months of the year it boosted its market share to 28.6 per cent from 22.7 per cent a year ago, while the Iveco group's share fell to 23.9 per cent from 25.8 per cent. The Iveco group has lost ground in particular in the heavy truck market, where its sales in the first 10 months

dropped by 50.1 per cent from

the corresponding period last

Ford has maintained its clear dominance of the small and medium van sectors. Its Escort and Fiesta small vans boosted Ford's share of the small van segment to 40 per cent in the first 10 months from 34.5 per cent a year ago, while its share of the medium van segment with the Transit

While sales in western Europe continue their downward spiral . . .

Germany cushions the fall

THE European van and truck market has been in decline for two years. The weakening of demand, which began in the UK, Sweden and Spain, has been reinforced by the slide in sales first in France and then in Italy.

The fall in the European commercial vehicles market has been cushioned, however by the surge in demand in Ger-many, fuelled by the process of reunification. This has served to mask the deep recession in some key markets, most nota-bly in the UK, the most depressed of the big European

truck markets.
According to the DRI European Trucks Forecast Report-published this month, the western European light com-mercial vehicles market (up to six tonnes gross vehicle weight) is expected to show only a marginal decline this year to 1.45m from 1.46m after peaking in 1989 at 1.51m, a fall over the last two years of 4 per

The fall in demand in the truck market (above six tonnes) has been more marked with sales expected to slip to 270,500 this year from 276,800 in 1990 and 295,800 in 1989, an 8.6 per cent decline over the

last two years.

The DRI forecast suggests that the worst should be over van and P100 pick-up was only slightly lower at 45.5 per cent. by the end of 1991 in the van market, which is dominated by

Western European Light Commercial Vehicles Sales Forecast — up to 6.0 tonnes (000s) 1991 1992 1.468.B 1.461.6 1,449,6 275.3 345.3 Germany 211.3 364.4 175.7 363.5 France 222.8 225.4 161.3

179.5 Western European Trucks - above 6 tonnes Sales forecast (000s)*

68.3 95.1 France

1991

events in France, the UK, and Spain. It forecasts a marginal increase in demand for light commercial vehicles (up to six onnes) of 1-2 per cent in 1992 to around 1.47m.

In the truck market (over six tonnes) there is still no light at the end of the tunnel, however. DRI forecasts that demand will continue to contract in 1992 and 1993 with a 7.7 per cent fall western European new truck registrations in 1992 to 249,800 and a further fall in

1993 to 240,000. Behind these figures lie

at Southampton and Genk

It expects to sell just under 160,000 this year, still short of the three plants' combined capacity of 180,000 units a

Three different badges

Fiat Ducato, Pengeot J5 and Citroen C25 - obscure the

fact, however, that the European medium van market is

essentially a three-horse race. All three are produced under a joint venture between Flat and

Peugeot at Sevel, and with first-half output of 77,090

units is only fractionally behind ford.

changes in fortune in individual markets, however, most importantly the sharp fluctua-tions in demand in the UK and Germany. The unprecedented imbalance in demand across Europe is having a fundamen-tal impact on the fortunes of individual truck makers. The German producers MAN and Mercedes-Benz, buoyed up by the strength of the German market, have enjoyed bulging order books, while in contrast

170.5

1994

1993

into loss and have been forced to scale back production and cut their workforces. The pendulum is expected to begin to swing back in the next two years, however. According to the DRI study, "Germany has boomed in 1991 but looks set to fall sharply in the period 1993-94, just as the recovery in some of the currently most depressed markets begins to

producers most exposed to the woes of the UK market, such

as DAF and ERF, have plunged

pick up speed".

The German market has had a huge impact on overall western European demand. in 1989 it accounted for 13.5 per cent of the western European van market, but DRI forecasts that this share has jumped to 30 per cent in 1991. It estimates that demand in the unified German narket in 1991 is 72.6 per cent higher than in 1989 in West

Germany alone. Reflecting the same pattern, demand for medium trucks (3.5 to 15 tonnes) in Germany has jumped by 76 per cent from

1989 to 1991 with the German share of the western European market rising to an estimated 41.7 per cent from around a quarter before the reunifica-

tion surge. In the heavy truck market (above 15 tonnes gross vehicle weight), traditionally the most volatile segment of the commercial vehicles market. growth in Germany has not en sufficient to compensate fully for the declines elsewhere in Europe. According to the DRI study German heavy truck volumes have risen from 30,500 in 1989 to 54,200 in 1991, an increase of 77.7 per cent, while heavy truck registrations elsewhere in Europe have fallen from 140,500 to 108,400, a 23 per

Germany is a key factor in forecasts for overall western European demand. According to DRI the level of new orders for vans and trucks in Germany indicates that the peak of the surge will soon have passed. "When the German manufacturers substantial order backlog has been worked through, the market will drop significantly, some time in the first half of 1992."

The impending deregulation of the German transport market is expected to weaken demand for medium and heavy trucks from 1992. "Demand for trucks will be depressed by the efficiency gains made in the operation of trucks but also through the uncertainty introduced into the outlook for individual truck operators, which will lead truck operators to

postbone purchases By 1993, when these deregulation moves are expected to cause a significant retrenchment in the German heavy truck market as capacity is cut in the long-distance fleet, the weakening of the German market is expected to work against the slow recovery elsewhere. Towards the middle of the decade the picture looks

"The European heavy truck markets outside Germany are expected to be growing more strongly in 1994." says the DRI study, "and together with a bottoming out in the German market slide, this will be enough to start the recovery in Europe as a whole.

Kevin Done

John Griffiths investigates the European market for vans

Ford and VW look set to step up the battle

THE western European market for purpose-built panel vans, mainly those with gross vehicle weights between two and 3.5 tonnes, is poised to become the battleground for an increased struggle between Ford and Volkswagen.

The US multinational and Germany's largest vehicle maker have disputed the region's market leadership over many years, with Ford's ubiquitous Transit model acquiring a growing domi-nance since the late 1980s as Volkswagen's Transporter range has aged.

By late last year, however, Volkswagen's all-new Type 4 Transporter range was rolling off VW's lines at Hanover. As a consequence, and helped by the booming German commercial vehicle market, VW's panel van output rose by per cent last year to 113,500 while Ford's Transit output reflecting market declines in most other European countries - sank by 12.3 per cent to

153,200. VW's hope is that the T4 will sharply narrow the gap with Ford - and in the first six months of this year those

hopes were being realised. Output jumped to 73,800 for the six-month period, just 5,000 units behind Ford. Last month, however, Ford raised the stakes yet again with the launch of the latest version of the Transit.

Unlike the last Transit revision in 1986, the new Transit is claimed by Ford to be much more than a facelift. It might not look much different from its predecessor but there are 3,000 engineering changes, claims Ford, including the first-ever use on a commercial vehicle of "drive-by-wire"

accelerator operations and four-channel anti-skid braking (the latter, however, being

The accelerator has no mechanical linkage with the 2.5-litre direct injection turbodiesel engine, which also marks the first use of electronic engine management in a medium commercial vehicle. The management and drive-by-wire systems were developed jointly with Lucas Commercial Diesel Systems, part of the UK components and aero-

space group. The two systems are claimed to make more effi-

driver more precise control and can even compensate for wrong engine timing or other wrong settings introduced dur-ing routine servicing. The Transit, first launched

cient use of fuel, give the

26 years ago, was the first model to be produced internationally by Ford. It is built mainly at Southampton in the UK and Genk in Belgium, with a smaller Portuguese assembly operation, near Lisbon. Total production now exceeds 2.5m units. Ford has spent £250m on the latest version, including manufacturing investment





7.5 TONNER

RAISING

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German sales have reached new heights

A dream come true

IF THERE is a truck maker's dream, then it has certainly come true for Germany's manufacturers this year. Spurred on by the economic impact of re-unification, sales of commer-cial vehicles in the enlarged German market have reached new heights.

Cownward spiral

the fall

Unity, according to the German motor industry associa-tion (VDA), has benefited the truck manufacturers even more than the car makers. Since there is practically no part of the east German economy which does not need a drastic overhaul, trucks have become one of the most sought after industrial goods. Last year, new truck registrations in west Germany advanced by 17.5 per cent to 203,000 units. with heavy trucks and trailer-carrying vehicles performing especially well. In the first half of this year, the rise was 28 per cent. Most of this reflects postunification business, even if much of the actual ordering has come from west German companies building up activi-ties in the new eastern states.

In the case of the car sector the leap in domestic demand reflected the sudden ability of east Germans to buy proper western cars. Mostly, they bought second-hand models, but this made the used car market so buoyant and the prices so attractive that many west Germans decided to trade in old models for new ones.

The link between the collapse of the communist regime and the introduction of the free market economy is almost as direct in the case of trucks, though at one remove from the consumer. The new purchasing power generated by the introduction of the D-Mark prompted retail chains, mail order houses, and a variety of shops and stores to start up in requirement was mainly for nies in the west, it prefers to western consumer goods. whether domestic or imported, transport needs rose sharply.

Another flourishing source of demand is the building industry. Activity has been high in west Germany, but the construction needs of the east are enormous. Putting right years of infrastructural and environmental neglect will cost billions of D-Marks, take many years, and involve the movement of vast amounts of materials. For the truck makers, it

Just how high the rewards can be is shown by the latest figures from MAN Nutfahrzeuge, the commercial vehicles subsidiary of the MAN industrial group. Its order inflow shot ahead by 53 per cent in its financial year to June 30, 1991, to DM9bn. Some of this reflected the first-time inclusion of the Steyr truck com-pany of Austria. Excluding this, however, the order rise was still 41 per cent. In the German market, MAN's new truck orders were by nearly 70. truck orders rose by nearly 70 per cent.
This came as the rest of

vestern Europe was experiencing a downturn, with some markets - such as the UK, Sweden, France, and Italy -suffering worse than others. In 1990, west German commercial vehicle exports dropped by 4.5 per cent to 168,000 units. Half-way through this year, they were down by 12 per cent. The VDA expects exports to con-tinue weak for a time as a result of higher operating costs for truck users, weaker indus-trial investment, and the fact that many vehicles on the roads are fairly new after the previous wave of ordering.
In spite of the big order books resulting from unity, MAN is not investing in east

serve the new market from its existing plants, squeezing out extra profits by using capacity to the limit. Daimler-Benz, however, has committed itself to some big spending in east Germany. Mercedes-Benz, its vehicle subsidiary, is embark-ing on a DM1bn project to build a new truck plant in Brandenburg near Berlin.

cedes has begun its east Ger-man involvement modestly through local assembly of trucks. At the Ludwigsfelde site, where construction should start in mid-1992, Mercedes start in mid-1992, Mercedes plans to produce 40,000 trucks a year. Completion is due in 1994, with up to 4,000 people expected to be employed. As with the VW and Opel ven-tures, the new jobs will be far fewer than in the old IFA state vehicle group, which had low productivity, an overblown complement of staff, and an incredibly high degree of verti-

Like the car manufacturers

Volkswagen and Opel, Mer-

Mercedes' new east German nture will be much leaner, but the jobs will be securer. Also, more jobs will be created as supply companies spring up, including some which have been reborn from IFA. Initially, Mercedes had intended to work with IFA - this was before unification - deciding later

that it would stick to its own products. As well as light trucks, it has also started assembling its larger trans-porter vehicles in Ludwigsfelde. This year's total Mercedes truck output in east Germany will be around 8,000

units, rising to 25,000 in 1993. Mercedes expects its worldwide truck output to rise by 14 per cent in 1991 to some 295,000 units. Of this, Germany will account for 186,000 (a rise of 10 per cent) and foreign plants for nearly 110,000, a rise of 20 per cent. Although the west Euro pean market (apart from Germany) is depressed, the company has seen its sales improve considerably in South America, notably in Mexico. Mercedes is the world's largest producer of trucks above six tonnes and expects its market share in western Europe to rise

from 27 per cent to 30 per cent

in this category.

In spite of the sales impetus provided by unity, Iveco Magirus, the German operation of Iveco, the truck subsidiary of litaly's Fiat, has found the going hard. Since the German plant makes heavy trucks for the export market, production was hit by poor demand in Europe, with a 12 per cent fall to 7,700 units in the first half of this year. But sales of Iveco trucks in Germany mostly trucks in Germany, mostly lighter trucks from Italy, were 62 per cent higher at 10,200 units. Iveco's mixed experience is a reminder that Germany remains highly dependent on world markets, however strong the one-off influence of unity

Andrew Fisher

AMONG the leading European truck makers DAF of the Netherlands has been hardest hit by the sharp fall in demand

in key markets. The company, in which British Aerospace holds a 16 per cent stake, has had to pay dearly for its exposure to the UK commercial vehicle market, which in the past two years has suffered its steepest fall into recession in the postwar period. The UK accounted for 31.3 per cent of DAF group

turnover in 1990. The company plunged into a net loss of Fl 179.1m (\$96.8m) in the first six months of the year from a loss of Fl 32.1m in the corresponding period a year ago and has been forced to raise new capital to bolster its deteriorating finances. Its fortunes have changed

with alarming speed reflecting the volatility of the European truck market. It fell into deficit last year with a total net loss of Fl 227.6m, including restructuring coats of Fl 75m, and uring costs of Fl 78m, and failed to pay a dividend, after achieving a record net profit of F1172m a year earlier.

In the first half of this year DAF had a negative cashflow

of Fl 103m compared with a positive cashflow of Fl 42m in the same period a year earlier and group capital and reserves dropped to only 23.7 per cent of total assets at the end of June from 27.5 per cent at the end of 1990 and 34 per cent at the end of 1989. Reflecting its higher indebtedness, interest charges in the first six months this year jumped to F168.8m from F132.5m a year ago.

To strengthen its balance sheet it has been forced to pany still faces difficult invest-

Profile: DAF

Hit hard by fall in demand



Levland DAF's new 45 Series Roadrunner

raise new equity with a Fl 250m issue of convertible preference shares last month The company has forecast that its financial performance in the second half of the year would be better than in the first, and that it would reach a break-even position during the final quarter provided there was no further deterioration in the European truck market.

It has warned, however, that an improvement in its results also depended on the pace of a possible recovery in demand in particular in the British truck market, where there are still few signs of sales improving. It has been forced to take tough actions to staunch the flow of red ink, and the com-

ment decisions, not least in relation to the manufacturing location for its new generation of vans, that are being devel oped in a joint venture with Renault of France.

DAF has planned hitherto to locate its share of the production at its Birmingham van plant, but the decision to approve the investment will be a big test of DAF's nerve ahead of any firm sign of a recovery in its principal UK market. In response to the recession the DAF workforce was cut by a further 601 jobs in the first half of the year to 14,789 at the end of June. It has been reduced by nearly 12 per cent or 2,000 jobs in the 18 months

from 16,782 in 1989, but the

company has warned that

ciency considerably improved". The launch of the new range will mark the final phase of the integration of the DAF and Leyland product lines following the merger of the two operations in 1987. DAF truck production was cut sharply by 25.5 per cent to 11,305 in the first six months of

there would be a "further

reduction and streamlining of

The DAF truck range in con-tinental Europe and in the UK is being further integrated in

the next two years, chiefly through the launch of a new range of medium-weight trucks. The company hopes

this move will enable "the complexity of the entire organ-

isation to be reduced and effi-

the organisation".

the year from 15,183 in the same period a year earlier, while van output dropped by 16.3 per cent to 10,079 from 12,047 to reduce drastically bloated stock levels. DAF truck sales fell less sharply to 12,870 from 13,470, while van sales fell to 9,776 from 10,376. In 1990 DAF truck production fell by 13.7 per cent to 29,993.

As part of the drive to reduce costs, DAF is restructuring its UK sales and marketing operations.

In 1990, DAF held 8.5 per cent of the western European truck market - although this slipped to 7.8 per cent in the first half of 1991 - and 2.8 per cent of the van market. The recession in the UK and

elsewhere has left DAF looking vulnerable with further restructuring forecast for the western European industry.

Kevin Done

Profile: MERCEDES-BENZ

Expansion to the east

MERCEDES-BENZ'S most recently acquired truck factory at Ludwigsfelde in eastern Germany, is on target to produce 7,000 medium-weight trucks this year, after starting assem-

Year

7-5 TONK

bly in mid-February.
The venture, an early result of German unification, is the most costly of three long-term projects started over the past 12 months which are simed at developing Mercedes-Benz's involvement in worldwide manufacturing of commercial

in Korea and Russia. The Ludwigsfelde factory was part of IFA, an East Ger-man truck builder which also After unification, IFA disinte grated. The East Germans western products and the eastern Europeans, after currency union, could not pay for trucks of any kind. Around 7,000 IFAs proved unsaleable and were donated to the Soviet Union to help transport food.

over by the Truehandanstalt. the body set up to attract investment to eastern Germany, and Mercedes-Benz has been leasing the site, and

The stop-gap arrangement will maintain employment until Mercedes-Benz opens an all-new assembly plant nearby, costing DM1bn (\$600m) and with a capacity of 40,000 LN2s middle-weights by 1994. Groundwork on the new fac-tory should start next summer. fulfilling Mercedes-Benz's "political and social responsi-bility" to invest in manufacturing in eastern Germany.

In addition to the LN2s, T2 heavy van production started to be switched to Ludwigsfelde from the highly automated van plant at Dusseldorf in Septem-ber. Eventually, all T2s will be built at Ludwigsfelde, allowing Dusseldorf to expand mass pro-

stream van, Tl. Mercedes-Benz quickly dropped any idea of upgrading the existing factory. It was dark, unhealthy and an environmental disaster. There had been little waste management - for example, surplus oil had been poured into the ground

WERING ERATING COSTS for the past 25 years. On the face of it, Ludwigs-felde has been a welcome addition to capacity, producing extra vehicles without the need for capital investment in a year when Mercedes-Benz's main truck plant, at Wurth, has been unable to keep up with demand in Germany in spite of building more than 80,000

> However, the new factory has brought its problems. Mercedes-Benz originally planned to transport sub-assemblies by rail from Worth, but services have proved hopelessly inadequate and the parts now move only by road.

> Training the Ludwigsfelde workforce has been a huge undertaking. The majority of the 2 200 the 2,200 workers (including

month or more being trained on the shop floor at Mercedes-Benz plants in the west, even though those production lines were working flat out and scarcely had much spare time. Mercedes-Benz has found the

Ludwigsfelde workers techni-cally able and "relatively fast western-style efficiency economy". However, wage rates in the east are already little different for leading employers

from western Germany.
Ironically, the plan for Lud-wigsfelde increases Mercedes-Benz's commitment to Germany, a high wage cost area at a time when its stated aim is to reduce costs by buying more European production from countries outside the Federal Republic. German suppliers have, however, been squeezed

on prices.

Mercedes-Benz sources say the company is under pre from the government to buy a truck company in eastern Europe, possibly in Czechoslo vakia, to assist the economy there. Mercedes-Benz is spen ing DM200m on a distribution and service network in eastern Europe, but sees the market there as a long slog.

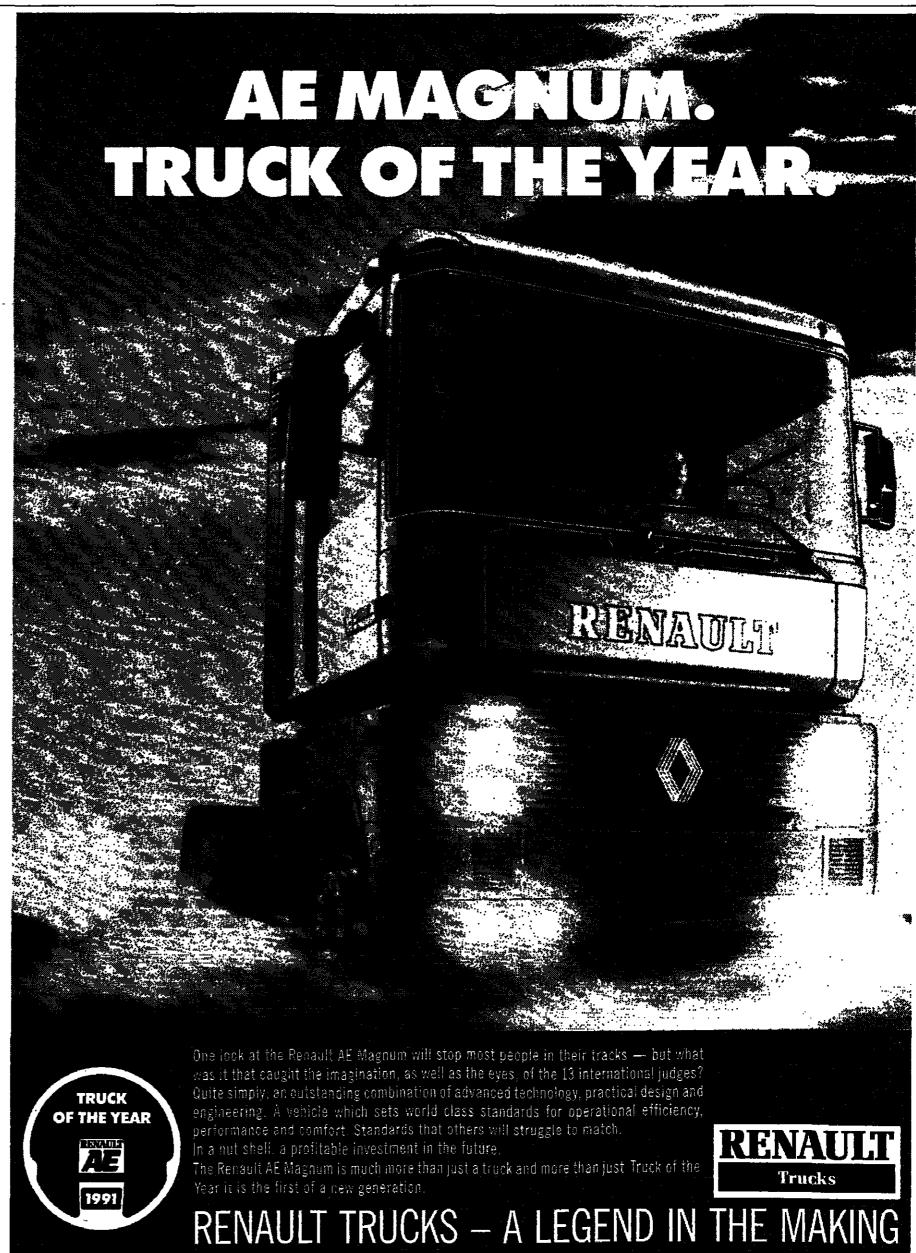
The company's second big expansion is a licensing deal with Avtrokon, a bus many turer near Moscow, which employs 80,000 people and builds 30,000 big buses a year. Avtrokon is buying plant, Mercedes-Benz 0303 coaches, in a DM150m deal financed by German banks. It gives Mercedes-Benz

long-term foothold in the hu long-term loothold in the huge Russian bus market for little capital cost. Mercedes-Benz has built 35,000 0303s, but the equipment is no longer nee in the west because the model is being superseded by the all-new 0404 coach. By 1994 Avtrokon will be building 2,500 0303s for sale in local markets, but all carrying the Mercedes-Benz three-pointed star. Production so far comprises only "pilot mbly of limited numbers" with body, components and interior fittings all supplied by Mercedes-Benz, but the project is progressing on target, Mercedes-Benz says, in spite of the political upheavals in Russia. A more expensive and more significant venture is the licensing deal with SsangYong

Motor Company of Korea. SsangYong, already an importer of Mercedes-Benz heavy trucks, plans new factories to build 60,000 Mercedes-Benz 100 vans annually, plus a further 40,000 Mercedes-Benzdesigned engines for its own, off-road vehicles.

Production is due to start in 1994. The vans will be badged Mercedes-Benz and sold by the German company's network in South-East Asia except for Korea itself, where it will be badged and sold as SsangYong.

Jack Semple



period.

Alan Millar on EC regulations

Easing traffic at frontiers

A SIMPLE example says it all Antwerp and Rome and Chicago and Tucson are both 2.000km apart and are linked regularly by inter-state trucks. But while the American truck completes the journey in 33 hours - an average speed of 60km/h including stops - border delays and complex proce-dures extend the European journey to 100 hours, an average speed of only 20km/h.

Not only that, but the rules and tax regimes governing road transport in the 12 European Community states differ immensely and protectionism has been rife. It is hardly surprising, therefore, that the European Commission sees road transport as critical to the successful creation of a single market in which goods will flow freely across frontiers. Aided by qualified majority voting by member states' min-isters, it is pushing through a wide range of reforms to har-monise and deregulate the

Central to these are the abo lition of the volume controls on international road haulage. Permits, limiting the number of journeys any operator can make, will be abolished in 1993 along with controls on cabo-tage, the system by which a road haulier in one state may collect and deliver loads in another. And individual states will no longer be able to limit the size of their road haulage industries by restricting access

In the United Kingdom, quantity licensing of road haulage was abolished in the late 1960s when the emphasis was changed to safety-related quality controls, but the German, Italian and Spanish industries are still heavily regulated and are dominated by small busiapproval for state-funded compensation to encourage haulage businesses to close as stronger businesses grow.

From January 1993, six-year Community Haulage Authorisations will be issued to all operators who meet the EC and national conditions of admission to the transport business. Holders will be entitled to undertake unlimited haulage non-EC states Offences committed in any EC state, such as overloading a truck or exceed-ing drivers' hours limits, could ad to the operator losing its

VAT rules are being standardised to promote fairer compe-tition for cabotage traffic. This as the arrangement by which international traffic from the UK is zero rated, but is charged at the local rate in other EC states. Until 1996, when the Commission hopes all states' VAT levels will be harmonised, VAT will be charged when the haulier and its customer are VAT registered in the same state.

At the same time, fuel charges across Europe will be brought closer in line. Finance ministers have agreed that each state should levy a minimum of 245 Ecu per 1,000 litres of diesel fuel (approx 78p per gallon). This compares with a levied now and a UK rate of the EC is 408 Ecu in Italy the lowest Luxembourg's 102 Ecu.

to levy more than the minimum, in the short term at least, and Luxembourg and Greece have been permitted to charge an interim level of 195 Ecu for the first two years.

There has been less progress in the far more difficult area of harmonising vehicle excise duty (road tax) on trucks. The Commission wants to ensure that duty rates do not favour one country's operators more than others, while at the same time it wants duty rates to be related as closely as possible to the actual use being made of

the road networks. The issue is complicated by several factors. Some states are unaware of the real costs involved. Some levy tolls on traffic using trunk roads. And costs vary according to the types of vehicles involved. The likely outcome will be the phased introduction of minimum tax rates based on costs notified by member states, but with allowances made for tolls

paid by operators. Such a complex reform is unlikely to be completed before 2000. By then, the UK and Ireland will also have come into line with an EC directive which permits the operation of 40-tonne trucks throughout the Community. In spite of vocifer ous industry arguments that heavier lorries improve the environment by doing the work of a greater number of lighter ones, successive UK transport ministers have

assuaged environmental objectors by arguing that it will take until 1999 for bridges to be strengthened to take the heavier loads. However, the issue is unlikely to be resolved if, as expected, the EC and EFTA merge fully.

Sweden permits 56-tonne trucks and is planning an increase to 60 tonnes in 1995 as an environmental measure. It is unlikely to want to sacrifice the benefits it expects to gain. yet Switzerland is no more likely to favour an increase over its 28-tonne limit.

The object of this enforced change is to increase the efficlency and lower the cost of transport throughout the EC by eliminating artificial restricns. Speaking at a German seminar recently, Tomislav Maksimovic, marketing manager with Iveco, Fiat's commercial vehicle division, forecast a effect similar to that in the US in the 1980s when road haulage deregulation led to freer crossborder movements and lower wage rates for drivers.

simovic predicted that industry would take advantage of cheaper transport to concentrate manufacturing in larger units and supply components on a Just-in-Time basis. Demand for transport would grow and the transport indus-try would change, with a polarisation between large "mega carriers" capable of meeting the pan-European needs of the largest industries and small companies thriving in niche

Medium-sized companies may be absorbed or squee out of the market. Mr Maksi-movic believes that the sheer pace of change, and transport companies' need to adapt to it, rules out any significant increase in demand for new trucks until 1995.

RENAULT, the French automotive group, and Volvo, its new Swedish partner, are beginning to produce the first practical results from the far-reaching alliance they sealed early last year.

Together, Renault Véhicules Industriels (RVI) and Volvo Truck form the world's largest heavy truck maker, with world output of 127,000 trucks and buses last year and a combined 1990 turnover of FFr54.8bn (\$9.83bn) of which FFr29bn comes from RVI and FFT25.8bn from Volvo Truck. They had a combined 23 per cent of the European market for trucks of more than five tonnes on last year's figures, and 24.5 per cent of North American market for vehicles of 15 tonnes plus.

It was the need to gain this critical weight in the world truck industry that originally brought the two automotive groups together. They agreed to exchange 45 per cent stakes in each others' truck and bus operations, implying a deeper relationship than between the car operations, where smaller percentage stakes are being

Yet in practice, RVI officials admit that the alliance has made slower progress in trucks than in cars. This is perhaps a symptom of the fact that Renault and Volvo are closer com-petitors in trucks than in cars, where their product ranges are broadly complementary in type and geographical market. It could also reflect the fact that

THE Italian commercial vehicles market, dominated by

Fiat's Iveco subsidiary, has been giving "loud and clear"

signals of recession this year, says Mr Tomislav Maksimovic,

tor for the start of recession and the final one for the end of

it," he says.
With most other European

markets also suffering this

year, apart from Germany, group sales look set to remain

static at the 1990 level of

125,000 units, in spite of the addition of 3,000-4,000 units

from Enasa, the Spanish pro-ducer in which Iveco bought a

restructuring plan, involving around 3,000 job losses, linked with a 14,000hn (\$3.3bn) three-

year investment plan to improve its productivity and

In Italy, where Iveco has a 56 per cent market share, pre-liminary figures for the first seven months of 1991 revealed

a 16 per cent fall in the market for vehicles over 3.5 tonnes

against the same period in

1990. In 1990 as a whole, the market slipped by only 2.8 per

cent, with the fall concen-trated in the last quarter.

borne the brunt of the damage.

Sales of heavy trucks crashed

by 23 per cent in the year to

July, against a 2.3 per cent fall

for all of 1990. The decline in the market has been coupled

with some shuffling of market

share among the leading man-ufacturers. Over the past two years, Iveco's share of the

domestic market has alipped by four percentage points from

This year has seen "relative

rais year has seen Telauve stability" in its share of sales of light-to-medium weight vehicles, in spite of the inroads made by Ford's Transit range, which has been very successful in Italy.

As elsewhere in Europe,

Iveco's marketing director. "Unfortunately, commercial vehicles are the leading indicaWilliam Dawkins examines the market in France

Fruitful Swedish alliance

the economic downturn has Mack Trucks subsidiary, bitten harder in commercial vehicles than in the car indus-

That said, both companies say they are content with the way the alliance has progressed. The broad aim of the deal has always been to keep the two marques separate, in different showrooms under their own badges, so that they

The broad aim of the deal has always been to keep the two marques separate, in different showrooms

avoid taking market share from each other.

Given the sheer size of their share of a market still in decline, this is clearly crucial. Last year, RVI and Volvo Truck together sold 62,100 trucks of five tonnes thus in Europe, taking second place behind Daimler Benz with 78,800 vehicles and well ahead of Iveco Ford, with 55,300

Their US operations, Vol-vo-GM and RVT's troubled

recorded combined North American sales of 32,852 trucks of more than 15 tonnes, last year, making them market leader ahead of Navistar, which sold 30,948 trucks there last year, and Freightliner, the US subsidiary of Daimler-Benz, which sold 24,574 trucks in North America over the same

Accordingly, co-operation is sought in areas invisible to the customer, such as technical development, research, compo-nent purchasing, and invest-ment. As Mr Pehr Gyllenhammar, Volvo's chairman, explained when the deal was signed, the aim is to build a new sort of relationship that avoids the old syndrome of "eat or be eaten". Both will "keep their integrity, will keep both HQs, but gain considerable synergies and increased efficiency", he said.

The first step was the estab-lishment of a 10-man group policy committee headed in turns by Mr Gyllenhammar, and Mr Raymond Lévy, Renault's chairman, backed up by two operating committees for car and trucks. The truck committee has two members. Mr JeanPierre Capron, chairman of RVI, and his counterpart at Volvo Truck, Mr Sten Langen-

Their first practical co-operation was the creation early last year of a single purchasing policy for any common components used by both groups both in cars and trucks. In practice, this means agreeing on a single purchasing representatives for the components involved.

Volvo calculates that the

alliance will allow its truck

and bus operations to trim 6

per cent to 8 per cent from their development, production and procurement costs in five to 10 years. That means an annual earnings improvement of just over SKribn (\$180m), in ent conditions. RVI is not publishing its estimated savings, but its parent reckons they will already start to be evident in this year's accounts. The next step, in April last year, was the foundation in France of an equally owned joint research centre, Advanced Research partners. This serves both the truck and

car businesses, and has already

started work on a joint RVI and Volvo Truck power train

 engine, gearbox and axle to come on to the market in five years. But perhaps the deepest area

of co-operation is in buses. where the pair are working together on a joint vehicle, a commuter bus with a low floor for easy access, due to come out in 1993 or 1994, say RVI officials. This is the only joint vehicle envisaged in the

The deepest area of co-operation is in buses, where the pair are working together on a joint vehicle

accord, though it will still be sold in different versions under the partners' separate badges.
The project also involves Heuliez, the French bus maker and a longstanding RVI techni-cal partner. RVI and Volvo Bus each took a 37.5 per cent stake in Heuliez last June, giving them joint 75 per cent control. Heuliez is likely to provide the bodywork, while RVI and Volvo would provide a joint chassis, say RVI officials. Like their competitors, both

profits squeezed by the eco nomic downturn, in which RVI expects the European market to decline by 12 per cent this year and US demand to fall by 30 per cent. Last year, RVI swing into a FFr102m net loss from a FFr.930m profit in the previous year, hit by larger than expected losses at Mack Trucks. Over the same period, Volvo Truck saw its operating profits dwindle from SKr2.28b in 1989 to SKrl.4bn. Since taking full ownership

companies are still seeing their

of the formerly 45 per cent owned Mack Trucks subsidiary in autumn last year, RVI has made sweeping management changes, including sending in its own chairman Mr Elios Pas-cual. RVI was holding market share in the US and Europe in the first six months of this year, in spite of its 14 per cent decline in turnover as against the same period in 1990. Volvo Truck's sales were surprisingly resilient in the first six months, registering a mere 4 per cent decline, helped by buoyant deliveries to Germany and the Middle East.

RVI, meanwhile, expects to be breaking even as a group by the end of this year, thanks to a good commercial reception for its latest AE range of trucks. But officials do not see any underlying recovery in any of RVI's main markets, except for Germany, where truck sales have continued to climb, irrespective of the downturn elsewhere in Europe.

Haig Simonian looks at signs of recession in the Italian market

Foreign competition grows

The erosion of its share has been more striking for heavy trucks, where, like other man-ufacturers which traditionally dominated their domestic markets, Iveco has suffered from increased foreign competition. In Italy, the main benefi-ciary has been Mercedes for heavy off-road quarry and site vehicles, while Volvo has made some progress for road vehicles and Scania has maincontrolling 60 per cent stake in September 1990. Iveco's response has been a large

tained its good position.

Iveco is well aware of the dangers that can arise during the period between the depar ture of an old model and intro duction of its replacement. Sales slipped prior to the arrival of the Daily, its light-

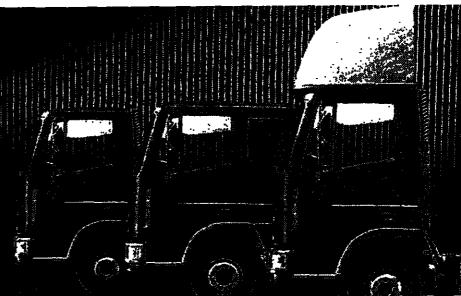
arrival of the Daily, its light-medium weight range.

Now fully established,
Iveco's share of the 3.5-4.98
tonne range in western Europe
reached 24.9 per cent in the
first five months of this year,
compared to 17.1 per cent for Mercedes and 15 per cent for Ford, says Mr Maksimovic. The Dally is our prima lonna," he says. The figures, which admit-

Flat's own Ducato van, which overlaps with the Daily at the lighter end of range, is up from 24 per cent last year. Iveco is now concentrating on the introduction of its new

6-10 tonne trucks, to be called Eurocargo in continental Europe, while retaining the established Cargo name in the UK. Although the full range is not yet available, the new lorries have already gone some way to restoring Iveco's domestic market share in this segment, he says.

Further ahead are new medium-heavy trucks, which should come on stream early next year, and the new heavy



iveco EuroCargo: short, sleeper and top sleeper cabs

vehicles, for which cast will have to wait until the end of 1992 or early 1993.

keting problem when the new heavy trucks are introduced, as they will be sold, alongside the existing Turbostar range, introduced in 1984, for an ini-tial period at least.

The decision not to drop the current models completely is to help smooth over the introduction of the new models, and partly reflects the boost given to the Turbostar following the recent adoption of an updated drive line. But when they do come, Iveco's new heavies will offer a much wider range than their predecessors thanks to more flexible manufacturing techniques. says Mr Maksimovic.

Outside Italy, Germany has been the best performer for Iveco this year, and the UK by the UK recession has led to a continuing postponement of forecasts for an unturn in truck sales. And, as the main UK producer as a result of its joint venture with Ford, Iveco has been particularly exposed to the decline.
Seles of commercial vehicles

of over 3.5 tommercial venicles seven months of this year plunged by 33 per cent com-pared to the same period last year, while sales of lorries over 16 tonnes dropped by 41.5

This year's reductions follow declines which were almost equally as steep in 1990, when overall sales fell by 25 per cent and by 36.5 per cent for heavy trucks.

By contrast, Magirus Iveco, subsidiary, has enjoyed a boom year thanks to higher

domestic demand and an

unsurge in eastern European

Growth has been strongest

in the light-medium and

medium segments, while the increase has been more in line with the overall market for heavy lorries. As a result, Iveco's market share in western Germany has climbed to 13.6 per cent this year from 12.6 per cent in 1990. Figures from the eastern part of the country are still sketchy, says Mr Maksimovic. However, Iveco appears to have been ahead of the market's growth in heavy trucks, but behind in medium and especially light

Meanwhile, in Spain, where Iveco is now the leading pro-ducer, with a 24 per cent share following the Enasa takeover, restructuring remains the

Like Italy, the Spanish market showed the first signs of recession in the closing onths of last year. But the fall has been much stronger since. In the first seven months of this year, sales for all vehicles over 3.5 tonnes were 16 per cent down on the same period last year, while heavy vehicles fell by an appreciably greater 25 per

That has complicated Iveco's task of returning Pegaso to profitability. The company, which suffers from a legacy of overmanning and underinvest-ment, is still losing money, and the forecast now for a return to the black by 1993.

Looking ahead, Iveco hopes that next year will finally bring the long awaited upturn in the UK, and possibly some recovery in France too. By contrast, it expects growth to slow in Germany, with a further softening in Spain and Italy. Overall. western European sales are expected to be stable at best and about 6 per cent lower at worst.

ing prospect. But in spite of the problems in Italy, Spain and especially the UK, Iveco's management regards the like-lihood of group sales remaining roughly static this year, even given the first-time inclu-sion of Eussa, as something of

For that they thank Iveco's position in Germany, and the strength of its sales outside the EC. With production hav-ing begun in August of the first of a planned 60,000 Dailies from a new plant in Nanking in China, they may be hoping to draw further comfort from non-EC sales in future

Component makers are going global, but John Griffiths detects a . . .

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ARCG

Culture shock in Europe THE large, independent that the same engine, gearbox manufacturers of large truck or axle - sometimes all three

components such as engine gearboxes and axles - the majority US-owned - are fol-lowing truck makers themselves down the road to global-But, in attempting to serve

simultaneously the needs of the North American and European industries - let alone seek to establish bridgeheads with Japanese truck makers they face a stiff challenge because of the two industries different cultures and history. Even the fact that the big-gest of the truck component independents - companies

such as Cummins Engine, Dana Corporation, Rockwell International and Eaton Corporation - are American, is largely a function of the differing manner in which those cultures developed.

Decades ago, operators of the big, sometimes 500-plus truck fleets which carry most US goods over vast distances, became increasingly disillusioned with the quality and reliability of drivetrain components offered as standard by truck makers; sufficiently so to seek independent suppliers of important components them-selves, and to specify more precisely what they wanted.

Truck manufacturers had little option but to fit them, because of the purchasing and financial muscle exerted by the US trucking operators. Over the years, the practice of using independents' components for the complete drivetrain (engine/gearbox/axle) has

can be found in, say, a Kenworth, Volvo White, Navistar

The homogeneity of the North American truck market provided the Eatons and Rockwells with the economies of scale to make ever larger investments in their own research and developmentresources. US truck makers, presented with ever higher quality and sophisticated components, were satisfied to become primarily assemblers - not least because it left the independents carrying the R&D cost burdens.

However, the hopes of Rockwell and others as they started a transatlantic expansion back in the 1970s, that they would be able to repeat the process in Europe, have become consider-

They have found a European truck industry with hig players heavily vertically-integrated and seemingly content to stay

Daimler-Benz, Scania, Iveco, Volvo all retain most of the manufacture of the key drivetrain components in-house. Mr Harold Krivan, Rockwell

International's vice-president, drive train systems in Europe, admits to being puzzled at first why European truck makers have been reluctant to travel the North American route. It seems fairly self-evident that no single truck maker, with a whole vehicle to design and produce, is also going to be able to design and make at any one time the best engine, gear-

The logic for them to use components developed by independents, whose entire resources are focused on these narrow areas, seemed compel-ling - at least to the independents; even more so given that the truck makers would no longer be carrying the R & D costs for such complex components.

Supporting their belief was that even the world car indus-

try, with its much greater

intrinsic economies of scale.

has been travelling the same route of ever increasing out-Yet, in spite of the fact that the independents now do make considerable sales in Europe, equally "we've come to under stand that not everyone wants to de-integrate fully", says Mr Krivan. "We understand today

much better than 10 years ago our customers' interest in designing and making their The historically more fragmented markets in which the manufacturers grew up, as

well as the strong design and engineering traditions of Euro-pean vehicle makers, have created companies with the ongoing ability to develop a broad spread of their own key components. And Mr Krivan and Eaton Corporation's Mr Alan Best, recently appointed vice-president of European truck component operations, accept that such manufacturers can argue with conviction that vehicles designed and engineered as a whole can be better than less dedicated

counterparts. There is, however, another important reason for their

reluctance hitherto to buy in on a significant scale. An integrated truck, with in-house engine, gearbox and axle, necessarily means a dedi-

cated aftermarket. Truck operators, even if they maintain their own trucks, thus rely heavily on the truck's franvice and replacement parts. Many dealers are also owned by the manufacturers. Since a large proportion of such manufacturers' and dealers profits derives from after-

sales and service, relatively

restricted competition in its

supply is likely to be good for manufacturer and dealer profitability - if not necessarily for truck operators. This contrasts with North America, where the commonality of key components is such that virtually any dealer can repair or supply components for virtually any make of truck, greatly intensifying

competition - and depressing In the longer term, the independents remain hopeful that fast rising development costs will encourage European truck makers to out-source increasingly. "We do seem to be in a period where they are thinking whether they should make more use of outside resources," observes Rockwell's Harold

He accepts, however, that this is most likely to happen only as new models are planned and where substantial new investment would otherwise be required in new generations of drivetrain compo-

Heart transplants

THE DAY European truck makers start giving up production of their own engines, in favour of units developed by specialist engine manufactur-ers with global economies of scale, may be closer than generally thought, says Mr Henry (Hank) Schacht, chairman and chief executive of Cummins Engine.

Mr Schacht, who returned to

the US earlier this month after signing Cummins's first large scale supply contract with Kamaz, the world's largest truck maker 700 miles east of Moscow, says he believes that even western Europe's bestknown truck makers have entered a crucial period of decision-making about whether to start engine "out-sourcing". He insists that a number of factors are combining to create

a unique situation for the Buropean truck industry, which may at last weaken its

deep attachment to "in-house" production of engines regarded as the "heart" of all

With the EC single market post-1992 and deregulation and other changes affecting its haulage industry, he expects a shake-out of less efficient oper-ators and haulage rates to fall sharply. The effect of deregula-tion in the US, he says, was a drop of 25-30 per cent in haul-age rates and fewer, larger and more efficient hauliers.

The drop in rates and truck demand associated with such change is almost certain to be replicated in Europe, Cummins believes. As a result, the increase in bargaining power of a haulage industry whose Own rates will be under severe pressure will lead to a further squeeze on profit margins for the truck makers themselves.

Worse, from the truck indus-Continued on next page

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THIS is not a good time to be a truck maker in eastern Europe. Re-unification of Germany and

import liberalisation through-out the former communist states has left the national truck industries exposed to foreign competition in a way that was simply unimaginable when they were set up as local monopoly producers. The consequences are most

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clearly seen in once thriving towns like Starachowice, 130km south of Warsaw, where 80 per cent of the 60,000 inhabitants used to be directly or indirectly employed making parts for or assembling Star trucks. Two years ago, before Poland's "round-table negotiations" between Solidarity and the ruling Communists led to the Communist Party's humiliating moral defeat in the elections, the Star plant was turn-ing out a steady 14,000 trucks of between seven and 11 tonne gross weight a year. A decade ago, after new engines manufactured under licence from MAN of West Germany were introduced, the plant turned

That theoretical capacity remains. But now the cavern-ous assembly halls are silent except for a burst of activity at the far end of one of the halls where the engine and chassis come together on the tiny number of trucks still being produced. This year output is expected to have declined to around 1,600 vehicles. Employment, from 9,000 in 1989, has fallen to 5,000 this year and will fall to 3,500 next year. It is a similar story in the iron foundry and component factories scattered around the town. Plants such as Star never had to worry about sales in the

old days. The army took as

Continued from previous page try's point of view, suggests Mr Schacht, is that these develop-

ments will be coinciding with EC legislative requirements for

the manufacturers to meet

Draconian new exhaust emis-sions legislation for 1998 which

will need research and develop-

ment spending at a much

higher level than required for meeting tighter emissions lim-

its already scheduled for 1994.

Under these circumstances. Cummins believes, truck mak-

start out-sourcing engines. It

period for decision-making will

be over by before the end of

next year, by when most man-

Heart transplants

Anthony Robinson looks at eastern Europe

Monopolies doomed

many four- or six-wheel variants as it needed and specially modified trucks with low temperature starting devices were shipped to the Soviet Union. Sales of the run of factory pro-duction were taken care of by the relevant state trading company which "sold" them to state farms, state-owned factories or Comecon partners. All Star management had to do was to produce as many trucks as possible. Under the circumstances

there was little need for product renovation or market research. That cosy world came to an end after January 1, 1990 when the zloty became internally convertible and the government introduced a harsh economic stabilisation programme which included

import liberalisation.

The programme curbed hyper-inflation and stimulated an extraordinary expansion of private sector activity, especially in trade. But it left the government short of funds and led to a reduction in the output of the large state-owned factories which still dominate the Polish industry economy.

The sharp decline in indus-trial production and farm incomes led to an even steeper decline in investment - and in the demand for trucks, or at least for the sort of trucks made by Star. Instead, what for smaller, lighter, faster and more economical trucks from

commit their next generations of trucks to the development

stage. Naturally, Cummins believes itself well placed to take

advantage of out-sourcing deci-

Financially, Cummins has

taken a battering from the

recession in key truck and

other diesel-using markets and

It has, however, stuck firmly to its view that decisions must

So, while Cummins has been

heavily restructured in a major

drive to reduce costs, cut

prices and better prepare it for battle against eventual Japa-

be made for the long term.

is making losses.

the new entrepreneurs who. over the past two years, have taken over nearly 80 per cent of the former state-owned retail outlets and revolutionised foreign trade.

Thanks to import liberalisation and a steadily appreciating zloty most of the new entrepreneurs opted to buy new or second-hand western trucks and vans. Once they made their first profits they then went on to buy a western car, starting with a modest second-hand model but rising to top of the range Porsche and Mercedes models for the small but increasing number of new millionaires.

This pattern is not unique to

Poland but is also to be found in Hungary and Czechoslo-vakia which are the three most econ countries and will become associate members of the European Community next year. phenomenon is less marked in Albania Romania and Bulgaria because they are poorer and economic reform is slower to get off the ground. But in all countries the old domestic monopolies are doomed unless they can get injections of capital, technology and management skill

from foreign partners.
This is the basic background to the search for tie-ups with foreign partners throughout the region, not only in truck and vehicle assembly but throughout the whole range of

nese competition, research and development spending has been maintained at close to

\$200m annually. Mr Schacht's

reasoning is that the moment

Cummins's technological grasp slips - particularly in the ever

more costly field of emissions - so will its market presence.

nent groups are resigned to at least another year of most

European markets, with the

exception of Germany, remain-

ing relatively depressed, with the UK a particular problem

"The UK truck industry is probably in a worse state than

1981," according to Eaton's Alan Best. "Mainland Europe

has not been too bad but we've

been hit in the UK, which was

has been best placed because

Meanwhile, the big compo-

engines and components. In the specific case of Star the Polishprivatisation ministry invited Volvo, Fiat and other western producers to the Star plant but failed to extract any useful offer. Given the poor state of the truck market generally, most western producers are more interested in increasing market share and see east-

Given the social problems attached to closing down truck plants in virtual company towns such as Starachowice however, governments in the region are being forced to keep at least a reduced level of production going while looking for new ways of diversifying into other forms of production.

Star, for example, has decided to produce smaller

ern Europe more as a place to

sell trucks than to manufac-

ture them.

trucks of less than six tonnes gross weight, importing light-weight Perkins diesel engines from the UK to do so. Prospects look better, however, at Jelcz, Poland's other leader truck producer, where Volvo recently signed a letter of intent for future co-operation. lems caused by plant closures, governments throughout the region are under increasing pressure to grant a degree of tariff protection for domestic

producers. The hope is that this will also help to persuade western manufacturers to take advantage of the low wages

of reunification, with a huge pipeline filling operation need-

ing to be done. But it's been

vertically-integrated companies like Daimer-Benz and MAN

which have largely benefited". He acknowledges the cyclical

nature of the business and that

ordinarily "you can't worry too much about the numbers". However, the UK industry has

'almost gone out of existence",

Perceived as a particular

problem is that the other Euro-

pean economies went into a

downturn after the UK and are

unlikely to pick up again until after the UK.

cycles. Raton has restructured

itself in recognition of the need

to cater to a global truck indus

To counteract regional

he complains

and skilled labour force to relo cate at least part of their production to the region.

This is not the case in former East Germany where the original truck industry, based on the old IFA Kombinat, has virtually sunk without trace. It has been subsumed into Mercedes-Benz which is building a new \$660m plant at Ludwigs-felde. In Czechoslovakia, however, the high technical quality of the local Tatra trucks has been recognised by significant sales to new markets such as Saudi Arabia and by sharp competition between Mercedes-Benz and Iveco for some form of partnership, More than 80 per cent of Tatra's heavy duty trucks are exported, with the bulk traditionally going to the Soviet market where Tatra has

MAN and Mercedes have been among the most active over the years in licensing their engines for trucks and buses where Ikarus of Hungary is the main producer in the

now set up four joint venture servicing facilities, including

one in the Tyumen oilfields.

An agreement with one or

other potential partner is

expected before the end of the

But one of the biggest potential engine deals in the region has recently been made by Cummins of the US which has entered into a joint venture with Kamaz, the largest heavy truck manufacturer in the world. The Soviet truck maker badly needs a new fuel efficient and, above all, ecologically friendly engine if it is to find new markets in Europe and in developing countries where its relatively cheap and rugged vehicles would be at

going on which will take until next spring and involves ing facilities and reorganisa-tion of product manufacturing. Eaton will have lost 250-300 people by then, representing 15 per cent of its European work

sions from the UK.

down by many millions of dol-

In the UK, in particular, he In Europe, a consolidation is

The cutbacks would have been sharper were it not for the fact that the US market is absorbing axles from Eaton's Spanish plants and transmis-One consequence, says Mr Best, is that "break-even is

Nevertheless, he expects recovery to be a slow and tortuous process until well into

suggests: "I don't think minis-

Profile: KAMAZ

Pillar of the economy

AT THE point where the cab assembly meets the chassis and driveshaft at the giant Kamaz truck plant at Nabarezhnye Chelny, 650 miles east of Moscow, stands a strong man with a crowbar. Sometimes the fit is fortuitously smooth. If not, the cab is helped into place with a resounding crack of the crow-

A quality inspector is stationed at this crucial point in the world's largest truck assembly plant. If needed, he also puts his not inconsiderable shoulder to the task of marrying cab and chassis. In spite of the millions of dollars of western plant and computer equipment at the plant some things are still done in the tra-ditional Russian way.

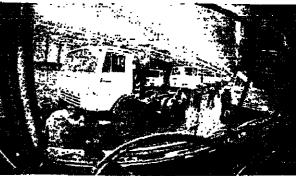
After more than a decade of turning out the same limited range of basic diesel-engined trucks, however, things are starting to change at Kamaz. The days when the all-power-ful centre decided multi-billion rouble prestige investments to crown every succeeding fiveyear plan are as dead as the central planning system itself.

Now the race is on to try and build a new economy out of the ruins of the old, without destroying at the same time those few pillars of the economy which actually turn out goods or services sorely needed for rapid development of the hitherto neglected civil-

ters understand the long-term damage inflicted by government actions to the industry as a whole. They have got to realise the difference between assets - people and fixed. When the economy recovers, we can't put it all back - so there'll be a big capacity suck from elsewhere. "There's better co-ordination in other countries. We got into a mess because economic expansion came too rapidly and the response was equally Draconian - huge, quantum leaps of interest rates blew the brains

of manufacturing industry. "If any government, of any colour, learns anything from this, it should be that the manbuild, quick to destroy."

John Griffiths



Kamaz, which was designed to produce 150,000 trucks and 200,000 engines a year, is one of those pillars. Starved of working capital and denied the right to build up its own depreciation reserve, the look corporation's re-invigorated new management is now raising fresh capital from domestic shareholders and

seeking out foreign partners.
The formal transformation from Soviet state enterprise to limited liability share company took place last year with the creation of 47m ordinary nal value. This is equivalent to the Rbs4.7bn original investment at 1971 prices. The 57 per cent shareholding of the defunct Soviet state will be redistributed to the republics while 13 per cent of the shares will probably remain with the nous republic of Tatarstan as effective "landlord" of the factory site and town of

500,000 people.

The remaining 30 per cent are held by 1,200 suppliers or main customers for the trucks. The company is planning to raise Rbs300m in fresh capital by issuing new shares to the public and to workers. Part of the attraction of the new financial structure is that it also facilitates the sale of minority shares in the company to future foreign partners or investors.

However, the main priority is to seek new partners to modernise the cab and engine. Negotiations are taking place with Cummins engines of the US which is exploring the possibility of putting its engines into Kamaz trucks destined for bard currency markets. Co-operation with foreign companies is nothing new to

Kamaz. It originally tried to attract Ford and Mack Trucks of the US to act as general contractors to the project back in the late 1960s when it was being planned. The original conception fell foul of strategic worries by the Pentagon and the US companies' own doubts about a project which dwarfed the largest US and

European truck plants.
In the end, the Soviet authorities decided to go it alone but more than 700 for eign companies eventually won contracts worth \$1.5bn to build key parts of the plant. The largest single contract went to Renault for much of the engine plant while Pull-man-Swindell of the US won a \$125m contract for the high-tech forge and foundry com-plex and IBM received export licences for a powerful produc-IBM's permission to deliver subsequent spare parts, however, was revoked after Kamaz trucks were sent into Afghan-

troops.

For nearly a decade, Kamaz turned out up to 120,000 trucks a year but growing more outdated by interna-tional standards and hobbled by an engine which was not only polluting by world stan-dards but at around 200,000km also was capable of less than half the average working life

stan with the invading Soviet

of western equivalents.

Now the political climate has changed. Kamaz is hoping once again to become a Mecca for foreign truck makers looking not only for contracts but for partnership with the largest truck maker in the

Anthony Robinson



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INSTEAD

US HEAVY TRUCKS

for Navistar in September.

1991, the US heavy truck industry is suffering from a second year of slumping sales with lit-tle prospect of a real upturn in Sales slip continues Production cuts and lay-offs

now seem like part of the nor-mai pattern of business in the US, the world's single largest heavy truck market, as the industry tries to cope with competition, over-capacity, and sinking sales.

There are, however, some signs that the worst may be over in the US. In Septem retail sales of class 8 trucks fell only 8.3 per cent after plunging 26.9 per cent in August, For the first nine months of the year. sales of class 8 vehicles were off 22.3 per cent at 72,021, according to figures from the Motor Vehicle Manufacturers'

widely-expected recovery in

Sales of heavy trucks are still lagging behind the overall market, where total truck sales actually rose 4.6 per cent in September and were down a more moderate 12.6 per cent to 2.92m for the first nine months of the year.

Part of the heavy truck industry's troubles can be blamed directly on the recession. The impact of declining sales, however, has been magnified by the increased capacity that came on stream in the

THE Japanese truck market is feeling the pinch of slumping demand at home and around

the Pacific Rim at a time when production has already fallen

at double-digit rates for two years running. To further com-

plicate matters, the nation's four large manufacturers – Hino, Mitsubishi Motors, Nis-

san Diesel and Isuzu – are

being forced to invest heavily

to meet stringent domestic emissions standards. Unlike its world-heating pas-

senger car firms, Japan's truck makers lag behind their US

rivals in total output. Last

year the industry turned out 3.58m trucks and buses, com-

pared to 3.7m for the US and 4.6m for all of North America,

according to the Japan Auto-mobile Manufacturers Associa-

tion (JAMA), an industry trade

group.

The home market scooped up 74 per cent of unit sales in the first seven months of 1991.

However, domestic sales of

"ordinary" trucks, classified as 3.5 tonnes and larger, will

retreat around 10 per cent in the fiscal year through next to

around 170,000 units, industry

sources predict. Exports of ordinary trucks, which com-

that market, are expected to decline at a similar rate with

North American demand still

weak. Total overseas sales are

likewise falling.
Although 1991 is hardly

all is not gloom and doom.

Domestic small truck sales

half of 1991. And while

demand for ordinary trucks

has gone into reverse, it will

still remain near a historical peak rather than plummet over a cliff as they did during

ping up as a banner year,

dom was that retail sales in the US would hold in the 125,000 to 135,000 range and would never slip below the 100,000 level. Sales for 1991 are expected to

The oversupply and increased competition have led to some manufacturers taking drastic steps, such as guaran-teeing trade-in allowances, in attempts to buy market share.

Although these measure have cut into earnings, many analysts believe it important for truck makers to maintain a strong share of the market. According to Mr Steven Colbert, an analyst at Prudential Bache, "companies whose mar ket share falls below 10 per cent have trouble staying in this business. You need enough market share to have volume to cover costs. Compa ies such as Ford, Mack and Volvo appear to be marginal."
In the year to date, Ford's

market share was 8.7 per cent. Mack's was 10.8 per cent and Volvo's 11.7 per cent. This com-pares with 22.4 per cent share of the retail market for Paccar in September and 18.1 per cent In spite of slipping sales and lower profits, Paccar, which makes Peterbilt and Kenworth trucks, remains one of the stronger players in the North American heavy truck market. Part of the company's contin-ued strength is attributed to the quality and dependability of its heavy trucks. Paccar is

For the first nine months 1991, Paccar had sales of \$1.56bn against \$1.91bn in the same period of 1990. Earnings, before a change in accounting methods, dropped to \$20.6m

less vertically-integrated than

some of its main competitors,

which has also benefited the

from \$57.9m. The nine-month figures mask an improved third quar-ter, where profits rose to \$17m from \$14m. Indeed, the company has only had one quarter in the red, when it lost 15 cents a share in the first three months of this year. Paccar says it is seeing a gradual ment in business activity as the year wanes.

Navistar, in contrast, turned

\$2.49bn in the first nine months of 1991 compared with a deficit of \$4m on sales of \$2.73bn from manufacturing a

year earlier.
Although the company has increased its share of the North American heavy- and medium-weight truck market to 28.8 per cent from 26.8 per cent in the 1990 third quarter, the company shows little sign of an upturn.

Part of Navistar's problems stem from the high fixed costs associated with being vertically integrated. But Navistar is also bearing the burden of its International Harvester lys. Although the company has

substantially reduced its work-force since it left the farm equipment business, Navistar is still paying healthcare bene-fits costs for former International Harvester employees. "Navistar's performance would be closer to Paccar's without this," said Mr Colbert. Lower truck demand, fierce

competition and increased

costs for labour, materials and

Paccar Kenworth: one of the stronger players in North America

purchased components, have offset Navistar's cost improvement measures which are expected to save the company \$167m a year.

To cope with the drop in demand. Navistar plans to reduce its production schedules. During the third quarter, the company had one unscheduled week of suspended assem-bly plant operations to balance production with lower demand. In the fourth quarter, Navistar expects that it will suspend

assembly operations for four to five unscheduled weeks. Mack has also been hit hard by the recession. The company became a wholly-owned subsidiary of France's Renault Vehicules Industriels (RVI), the commercial vehicles subsidiary of Renault of France, in 1990.

In spite of Renault's efforts to revive its US truck subsidiary, including reorganising top management and reducing the workforce, Mack is mired in the red and the company is losing market share. Some analysts believe that Renault still has not done enough to restructure Mack's capacity. In addition, Mack's primary mar-ket remains off-road vehicles, the sales of which have fallen in tandem with the drop in construction in the US.

This year has been particularly hard on Ford's heavy truck operations. The company's class 8 sales in August plunged 48.4 per cent to Sik compared with a year ago. in the first eight mouths of 1991 they fell 40.9 per cent to 5.546. Ford remains primarily a passenger car maker and its commitment to the heavy truck industry is not as heavy

as other manufacturers. According to some analysts, Ford's main problem is that it has not been able to differentiate itself in the marketplace. The latest industry sales ilgures may give some reason to hope that the worst is now over, but there is little cause for optimism in 1992. Analysis are hoping to see increase about 20 per cent in retail sales next year, but with a projected 22 per cent decline for the

whole of 1991, "that would be a more sluggish upturn than we have seen historically", said Although there are few bulls in the US heavy truck industry for 1992, there is one wild card which may boost sales in 1993. Tighter emission regulations

are scheduled for 1994, and

there may be a bout of buying

ahead of the changes. Karen Zagor

The Japanese truck market is feeling the pinch, says Neil Weinberg

High-tech battle looms on the home front

the government spends Y430,000bn on public works projects over the next decade. Japan's just-in-time factory and shop distribution systems and rapid expansion of convenience store and other high-volume retail chains over the past several years have pow-ered truck sales, notes JAMA's Mr Shigeru Ockoshi. However, such demand-driven gains may be reaching their limits as the

Unlike its world-beating car firms, Japan's truck makers lag behind their US rivals

severe urban road congestion and additional strains on an already tight labour market have already prompted the Ministry of International Trade and Industry to look into ways of rationalising the trucking and distribution

industries As manufacturers seek to pull ahead in a stalled market, earnings will suffer. The two dedicated truck makers, filno and Nissan Diesel, will see sales alip 0.3 per cent and 1 Mr Peter Boardman, an auto industry analyst with Credit Lyonnais Securities (Japan). Net profits are in for much larger declines of 36 per cent and 18 per cent, he adds. Isuzu, whose total output including passenger cars plunged 15.6 per cent in the

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the oil shock a decade ago, says Hino spokesman Mr Eiki-chi Inoue. "Even if private investment facing heavy losses this year as well as the need to increase capital investment drastically after skimping in recent years. slows down truck demand will remain at a relatively high level." he savs. Truck demand is also certain to accelerate as

of our investment.

ahead just that little bit easier.

Mitsubishi Motors will likely be the only gainer with a 7.1 per cent rise in net profit to 727bu on passenger car sales.
Over the next few years the struggle for the domestic market will increasingly turn into a high-tech battle, and the companies developing the most efficient low-polluting engines are likely to prevail,

engines are many to prevail, says Mr Kenny Hyman, an analyst at Barclays de Zoete Wedd Securities in Tokyo.

"The big problem facing the companies is exhaust emissions. They're the first to be effected by stricter standards," he says. "As a result, truck makers have to produce more environmentally friendly trucks or they won't be able to do business. It's going to cost them a lot do to it."

Japanese emissions standards are similar to those being implemented in the US and will require from October 1993 that trucks over 2.5 tonnes emit 65 per cent less nitrous oxide than the unregulated 1974 level, compared to 58 per cent less at present.

A related transport ministry initiative seeks to replace 1.5m trucks plying the roads of metropolitan Tokyo and Osaka with cleaner burning vehicles. one-time only extension of reg-istration from 1993 for tracks and buses not meeting the new emissions standards and could

invigorate sales.
"The shaken [registration] would help out the truck makers quite a hit. The question is how severe the restrictions will be and whether trucking oanles will go out and buy trucks," says Mr Board

Meanwhile, truck manufac-

turers are investing heavily in automation and cleaner-burning engines. Hino alone is planning to increase plant and equipment investment 12 per cent this fiscal year to about

The Toyota affiliate is also pressing shead with the industry's most promising new anti-pollution technology, a hybrid HIMR diesel-electric engine. It tags energy from a vehicle's heels to charge a battery for electric power generation and reportedly cuts black smoke emissions 70 per cent and nitrous oxide 20-90 per cent. Eventually Hino is expected to license the technology to other truck and bus makers. Hino and Isaxu are also

working independently on tur-

IF THE US truck industry has one bright spot, it is the light truck sector. At a time when recession and overcapacity bave wreaked havor with the truck industry as a whole, light truck sales are generally holding their own and, in some cases, actually growing.
In the first nine months of

the year, when overall truck sales slumped 12.6 per cent to 2.92m, Class 1 trucks eased Class 3 actually advanced 1.6 per cent to 15,772. Sales of Class 2 however, bucked the trend by dropping 24.2 per cent to 668,736, according to data from the Motor Vehicle Manuforther Association. facturers Association.

Figures from Jacobs Auto-motive, a New Jersey-based research company, show a 4 per cent increase in the utility truck market for the 1991

model year, while compact van sales aild only 5 per cent.

"We're still seeing strength in mini-vans and utilities com-pared with the overall mar-ket," said Mr Clifford Swenson, manger of production forecasts at Jeobs Automotive. "But it at Jacobs Automotive. "But it is nothing like the strength of the early 1980s."

During the roaring 1980s, when the Wall Street boom

bo-charged diesel engines which significantly cut emis-sions. Other industry projects involve alternative fuels such as methanol and methanol-diesel mixtures. Expanded use of liquefied petroleum gas, which now powers many taxis, would

also sharply cut particulate With the truck market likely to remain weak over the next few years, manufacturers are also seeking to beat rivals by improving appearance, comfort and efficiency. Such efforts include maximizing cargo space within legal limits on size and height and enhanc-ing access to payload areas to

Hino, already the sales

leader, managed to increase its market share 0.5 percentage points to 29.5 per cent of unit sales in the fiscal year through March. Mitsubishi Motors also staged a 0.1 percentage point advance to 26.5 per cent and

The companies developing the most efficient low-polluting engines are likely to prevail

Nissan Diesel a similar gain to 19.8 per cent. The big loser was troubled Isuzu, whose share dropped 0.9 percentage points to 28.3 per cent. In the export market, where durability is still the key word, total sales have declined each year since 1985. The trend continued in the first seven months of 1991 when overseas shipments of com-mercial vehicles fell 4.5 per cent from the year-earlier level to 726,785 units. Passenger car exports were down a more

modest 0.8 per cent during the same period to 2.5m vehicles. Meanwhile, the four leading truck makers have become locked in a fierce fight for the which boasts the best growth prospects over the next decade, although demand has slackened recently in key markets such as Thailand and Indonesia. Some 35 per cent of the 361,000 2.0-3.5 tonne trucks shipped abroad last

year were bound for South-East Asia. Europe's share was second at 34 per cent while the US took in just 3.3 per cent. At the top end of the mar-ket, North America still accounted for 41 per cent of ordinary truck exports last year, and Japanese manufacturers are keen to expand their still modest presence there. However, they face ar uphill fight against entrenched local rivals.

Europe likewise offers little prospect of rapid growth - in contrast to the outlook for the Japanese car industry or inde-pendent local production, says Mr Hyman. "Demand would not support a Japanese truck maker entering Europe on its own," he says.

Nissan Diesel is nevertheless planning to lead the way in European production via the Spanish manufacturing operation it took over recently. The facility is due to begin turning out about 20,000 new model ordinary trucks annually is

US LIGHT TRUCKS

Industry's bright spot

never bust and a stream of mergers and acquisitions helped line the pockets of vans started to replace passenger cars on US city streets. At the same time, utility vehicles and vans started to replace the station wagon as the car of choice for the growing families

of the baby boom generation. The growing light truck mar-ket has become increasingly important to US vehicle ma ers, who have been steadily losing ground to foreign competitors in the passenger car market. Higher light truck sales have helped soften the impact of declining car sales.

Ford, for example, increased annual production capacity for its Explorer sport utility this summer by 20,000 trucks, bringing production to 270,000 Explorer trucks a year.
indeed, for most of the 1980s demand for light trucks outsupply the market. "We're now seeing a maturing of the market," said Mr Swenson. "Mannfacturers have caught up with demand and are able to supply enough to satisfy consumer Analysts expect continued mand from growing families to help prop up sales of utility vehicles and vans. The rate of growth, however, is expected

to keep slowing.
Chrysler has traditionally dominated the utility and mini-van market in the US. Indeed. for many years Chrysler had the market virtually to itself. But Chrysler's strong perfor-mance in the area ultimately attracted competitors and Chrysler has been made. Chrysler has been under pressure in these two areas for some time. It is now questioned whether Chrysler will be able to maintain its share of

these markets as the competition grows.

the four-door sports utility market have started to slide as Ford's Explorer picks up mar-

In the full-size pickup market, General Motors and Ford continue to compete for the number one position. This year, Ford edged out GM's Chevvy, but Ford's sales were bolstered by such heavy incentives that "it was a hollow vic-tory", said Mr Swenson.

In the long term, the biggest question for the US light truck industry is whether the Japanese will be able to translate their success in lighter trucks into the larger class size. Japanese manufacturers are widely credited with developing the compact truck market and control more than 40 per cent of the US market. The full-size pickup market.

in contrast, is virtually the exclusive domain of the US big Sales of Chrysler's Jeep three vehicle makers. With

annual sales of more than im units, it is an attractive mar-

Toyota is reported to be working on a full-size pickup and Nissan is believed to be considering entering the arena. A major deterrent to Japanese entry into this area, however, is the lack of a domestic Japanese market for full-size pickup

Furthermore, US pickup vative, making the market more resistant than others to non-US manufacturers.

in the short term, the state of the US economy remains the most pressing question for the entire vehicle industry, includ-ing light trucks. At the beginning of the year it was widely believed that the economy would start improving in the

second half Although there have been some small signs of recovery, the US recession has so far proved longer and deeper than expected. If there is not a significant improvement in the first half of 1992, even the light truck sector may be forced to cut production volumes next

Karen Zagor

Alan Bunting looks at new products and technology

Electronics makes its mark in trucks

NEW electronic technology was anathema to truck operavos anatoma with the vost opera-tors, in the UK especially, until they were forced, ini-tially as the result of anti-skid brake legislation, to accept "black boxes", sensors and solenoid valves. There remains a deep dis-

trust of electronic components among many older fleet engineers, who were brought up to equate visible simplicity with reliability and ease of repair when problems arose. But their fears are proving to be groundless. There were teething troubles on the pioneering EPS electronic truck gearshift system from Mercedes-Benz for example. But in most instances the faults were traced to simple electrical con-nections rather than to the solid-state components at the

heart of the system. Truck operators, especially those with their own workshops, manned by skilled and experienced fitters and electricians, are also quite understandably apprehensive at the perceived complexities of fault-finding in electronic systems. Will a faulty vehicle, they ask themselves, have to be taken into the local dealer, at unknown monetary and downtime cost?

In recognition of such fears. manufacturers are now placing more emphasis on diagnos-tics, enabling users to trace and rectify faults easily and

rapidly. Volvo, whose Gear-tronic assisted gearshift system for heavy trucks was launched in September, has written a computer software programme allowing the sys-tem's electronic components, wiring and connections to be functionally checked using an inexpensive standard laptop

Scania, also from Sweden, pioneered finger-tip gearshift-ing for trucks in the mid-80s using, like all subsequent rivals, brake system com-pressed air to provide the "muscle" normally demanded from the driver's left arm. Electronics become an essen tial adjunct, to prevent abuse and gear tooth damage and, in the more automated systems, to determine optimum gearchange conditions.

Elimination of the pedal

from the otherwise standard clutch installation, has now become technically feasible. It is a development which enables the mechanical gear-box to mimic the familiar cartype automatic transmission, dmittedly without achieving quite the same shift smooth ness, but at a much lower cost and weight and without the fuel consumption penalty of a

torque converter. It has presented a formidable engineering challenge, which can be met only with an onboard microprocessor, able to simulate, particularly when

starting away up a gradient at an all-up weight of perhaps 40 tonnes or more, the driver's skill in judging the rate of clutch "hite" as engine revs are increased through the accelerator pedal.
Fichtel & Sachs of Germany,

Europe's biggest maker of clutches for trucks, launched its ACS pedal-less clutch earher this year. But competition has arisen from some unexpected quarters. ZF, the German gearbox producer has

Manufacturers are now placing emphasis on diagnostics

developed four alternative assisted-shift versions of its Reosplit 16-speed transmission, two of which also include automated clutch actuation. Rival genrbox maker Eaton

is also in contention. The USowned company's UK-based engineers have developed a two-pedal transmission desig-nated AMT which has undergone extensive trials and is ready to go into production should volume demand arise. Volvo, as ever reluctant to increase its dependence on outside suppliers, has chosen to develop its cintch pedal-less finger-tip Geartronic shift system entirely in-house. Mercedes is another track builder now following the come white.

optimised at all engine speeds and loadings.

Progressively tougher commercial vehicle exhaust emissions legislation coming into force in two stages over the next five years will in the next five years will, in the view of many diesel engineers, make electronic fuel control unavoidable. In Europe, Cummins is leading the way, with mins is searing the way, with its Celect injection system, which controls injection timing as well as fuel quantity—a key element in reducing the two most obstinate categories

the combustion chamber, in

accordance with engine

demand, so that performance and fuel consumption are

of exhaust pollutant, namely oxides of nitrogen and particulates (mainly soot). Celect retains Cummins's long established principle of mechanical, or "unit", injector operation; extra cams on the main engine camshaft actuate the injectors, through rockers now following the same philos-

ophy; a version of EPS with no ciutch pedal is on trial.

New technology, inevitably making extensive use of electronics, is also beginning to make an impact on truck diesel engines, specifically on their fuel-injection equipment Scania was the first manufacturer to fit an injection pump—supplied by Bosch—with an electronic governor. It continuously regulates the from its outwardly similar, but in fact simpler, Datroit Diesel and Lucas system rivels: - the latter fitted so far only on a 10.3-litre American Care pillar engine - in embodying two interactive plungers. which regulate metering (fits) quantity) and timing. All time new-generation unit injectors embody an electronically-continuously regulates the amount of fuel squirted into

trolled spill valve.
Mercedes-Benz of German is buying US unit-injected know-how, having just density an agreement with the prints ly-owned Detroit Diesel com-pany, which will lead to a range of fuel-efficient, hyemission Mercedes die necessarily new "from the sump up" - being lamehed in the middle of the decade.

Interestingly, some of the new technology projected for truck diesels a decade ago the not materialised in product engines. Advanced name lic materials, notably the ics, which with their ex heat resistance and he properties, were seen to have important potential in place crowns and valve heads. been eclipsed. Emissions les lation has worked again. them. The higher contemperatures which care make possible are good for fuel efficiency, but unforte-nately they promote the for-mation of pollutant attracts.

Truck Components Marketing